

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Battle Creek	County Calhoun
Fiscal Year End June 30, 2007	Opinion Date November 20, 2007	Date Audit Report Submitted to State November 27, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

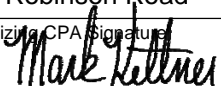
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input checked="" type="checkbox"/>	Single Audit Report		
Certified Public Accountant (Firm Name) REHMANN ROBSON		Telephone Number 517-787-6503		
Street Address 675 Robinson Road		City Jackson	State MI	Zip 49203
Authorizing CPA Signature 		Printed Name Mark T. Kettner, CPA, CGFM		License Number 11673



# **City of Battle Creek, Michigan**



**Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2007**

**Prepared by the Finance Department**



**CITY OF BATTLE CREEK, MICHIGAN**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2007**

**TABLE OF CONTENTS**

---

	<b><u>PAGE</u></b>
 <b><i>INTRODUCTORY SECTION</i></b>	
Letter of Transmittal .....	i-iv
GFOA Certificate of Achievement .....	v
Organizational Chart .....	vi
List of Elected and Appointed Officials.....	vii
 <b><i>FINANCIAL SECTION</i></b>	
Independent Auditors' Report.....	1-2
Management's Discussion and Analysis.....	3-14
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	15
Statement of Activities.....	16-17
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	18
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets .....	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund .....	22-25
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Community Development Fund .....	26
Statement of Net Assets – Proprietary Funds .....	27
Reconciliation of Net Assets on the Statement of Net Assets for Enterprise Funds to Net Assets of Business-type Activities on the Statement of Net Assets .....	28
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds .....	29
Reconciliation of the Statement of Revenues, Expenses and Changes In Fund Net Assets of Enterprise Funds to the Statement of Activities.....	30
Statement of Cash Flows – Proprietary Funds.....	31-32
Statement of Fiduciary Net Assets – Fiduciary Funds.....	33
Statement of Changes in Fiduciary Net Assets – Police and Fire Retirement System .....	34
Component Unit Financial Statements:	
Combining Statement of Net Assets .....	35
Combining Statement of Activities.....	36
Notes to the Financial Statements .....	37-68

**CITY OF BATTLE CREEK, MICHIGAN**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2006**

**TABLE OF CONTENTS**

---

	<u><b>PAGE</b></u>
Required Supplementary Information:	
Schedule of Funding Progress and Employer Contributions – Police and Fire Retirement System.....	69
Combining and Individual Fund Financial Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds .....	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	71
Combining Balance Sheet – Nonmajor Special Revenue Funds .....	72-73
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds .....	74-75
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds .....	76-81
Combining Balance Sheet – Nonmajor Debt Service Funds .....	82
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Debt Service Funds .....	83
Combining Balance Sheet – Nonmajor Capital Projects Funds .....	84
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds.....	85
Combining Balance Sheet – Nonmajor Permanent Funds .....	86
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Permanent Funds .....	87
Combining Statement of Net Assets – Nonmajor Enterprise Funds .....	88-89
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Nonmajor Enterprise Funds.....	90-91
Combining Statement of Cash Flows – Nonmajor Enterprise Funds .....	92-93
Combining Statement of Net Assets – Internal Service Funds .....	94
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds .....	95
Combining Statement of Cash Flows – Internal Service Funds.....	96
Combining Statement of Fiduciary Net Assets – Pension and Other Employee Benefits Trust Funds .....	97
Combining Statement of Changes in Fiduciary Net Assets – Pension and Other Employee Benefits Trust Funds .....	98
Combining Statement of Fiduciary Net Assets – Agency Funds .....	99
Combining Statement of Changes in Assets and Liabilities – Agency Funds .....	100-101

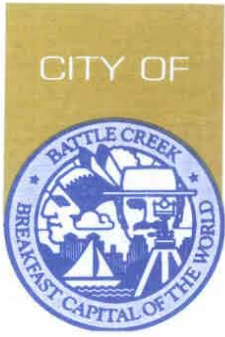
**CITY OF BATTLE CREEK, MICHIGAN**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2006**

**TABLE OF CONTENTS**

---

	<b><u>PAGE</u></b>
 <b><i>STATISTICAL SECTION</i></b>	
Net Assets by Component.....	102
Changes in Net Assets.....	103-104
Fund Balances – Governmental Funds .....	105
Changes in Fund Balances – Governmental Funds.....	106-107
Changes in Fund Balances – General Fund .....	108-109
Assessed and Actual Value of Taxable Property .....	110
Direct and Overlapping Property Tax Rates .....	111
Principal Property Tax Payers.....	112
Property Tax Levies and Collections .....	113
Number of Water System Customers by User Class.....	114
Water System Customers by User Class as a Percent of Total .....	115
Water System Revenues by User Class .....	116
Water System Revenues by User Class as a Percent of Total Revenue.....	117
Water System Sales Volume by User Class (Cubic Feet).....	118
Water System Sales Volume by User Class as a Percent of Total Sales (Cubic Feet) .....	119
Water Pumped and Sold (Cubic Feet).....	120
Water Revenue and Usage – Major Customers .....	121
Current Water Rates (Beginning as of July 1, 2002) .....	122
Number of Wastewater System Customers by User Class .....	123
Wastewater System Customers by User Class as a Percent of Total .....	124
Wastewater System Revenues by User Class .....	125
Wastewater System Revenues by User Class as a Percent of Total Revenue.....	126
Wastewater System Eight Year History of Volumes - Unaudited .....	127
Wastewater System Sales Volume by User Class (Cubic Feet).....	128
Wastewater System Sales Volume by User Class as a Percent of Total Sales (Cubic Feet) .....	129
Wastewater Revenue and Usage – Major Customers .....	130
Largest Wastewater Customers.....	131
Current Wastewater Rates (From 7/1/05 to 06/30/10) .....	132
Ratio of General Bonded Debt Outstanding .....	133
Computation of Net Direct and Overlapping Debt .....	134
Legal Debt Margin .....	135
Water and Wastewater System Revenue Bond Coverage.....	136
Demographic and Economic Statistics .....	137
Principal Employers .....	138
Full-Time Equivalent Employees by Function/Program .....	139
Operating Indicators by Function/Program.....	140
Capital Asset Statistics by Function/Program.....	141
Schedule of Insurance .....	142-144

# INTRODUCTORY SECTION



# BATTLE CREEK

## CITY MANAGER

November 20, 2007

### **To the Honorable Mayor, Members of the City Commission and Citizens of the City of Battle Creek:**

State law requires that all local governments, subject to certain size criteria, publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Battle Creek for the fiscal year ended June 30, 2007.

This report consists of management's representations concerning the finances of the City of Battle Creek. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, City management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Rehmann Robson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2007 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2007 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the Government**

The City of Battle Creek, incorporated as a City in 1859 and as a Home Rule City in 1913, is located in southwest Michigan, approximately 115 miles west of Detroit and 160 miles northeast of Chicago. It is the largest city in Calhoun County, encompassing an area of 44 square miles, with a current estimated population of 53,364. The City is well known as the breakfast food capital of the world.

The government has operated under the commission-manager form of government since 1961. Policymaking and legislative authorities are vested in the City Commission, which is comprised of nine members including the mayor. The governing council is responsible, among other things, for passing ordinances and resolutions, making public policy decisions, adopting the budget, appointing boards, commissions, and committees, approving contracts, authorizing real estate transactions, awarding bids, selling property, and hiring the government's manager and attorney. Four Commissioners are elected at-large for two-year terms and five Commissioners are elected from the five wards in the City, also serving two-year terms. The City Commission elects a Mayor and Vice-Mayor from among its members.

The City Manager is the chief administrative officer of the City and is appointed by and serves at the pleasure of the City Commission. The City Manager is responsible for carrying out the policies and ordinances of the City Commission, for overseeing the day-to-day operations of the government, and appointing government's department heads.

The City of Battle Creek provides a full range of services including: police and fire protection; the construction and maintenance of highways, streets and other infrastructure; wastewater treatment and disposal; water treatment and distribution; economic development; recreational activities; public transportation services and cultural events.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Battle Creek operates.

**Local economy.** The City's economy is diverse with industrial and commercial categories accounting for 48.8% of the 2006 taxable valuation. The remainder, primarily residential, provides area residents with convenient and affordable housing to take advantage of the City's industrial, commercial, cultural, educational and recreational opportunities. In addition to hosting breakfast food giants Kellogg Company and General Foods Corporation, the City has been quite successful in attracting other major industrial corporations, who have invested in excess of \$740 million in plant expansions and renovations over the past several years.



**Long-term financial planning.** The City of Battle Creek believes long-term financial planning has been and will continue to be an important component to ensure the City's fiscal health. The City Commission has identified economic development and downtown development as two of the highest priorities for the City over the next three years. Battle Creek Unlimited, a non-profit organization partnering with the City to perform economic development, continues to promote and develop the City's Fort Custer Industrial Park (FCIP) and the downtown in an effort to maintain and enhance the City's tax base.

Along with efforts to ensure a future growth in tax revenue, the City has developed a Capital Improvements Program to identify its long-term capital needs and ability to fund the program. Over the next six years, the City has identified over \$157 million in capital needs, with funding sources in place to meet those needs.

From an operational perspective, while the City enjoys a diverse, growing economy, as well as a growing property tax base, factors exist that may constrain the City's fiscal health. The increase in the assessed value of taxable property in the City continues to be constrained by the Headlee Amendment (which limits the annual increase in the State Equalized Value of real property) and the provisions of Proposal A (which limits increases in taxable property values to 5% or the rate of inflation, whichever is less). Taken together, these fiscal factors create a trend of ever-tightening budgets under which the City must operate.

Finally, along with constrained resources, the City faces increasing financial challenges with escalating costs of employee benefits, especially for medical and prescription drug insurance. These issues impose increasing burdens on the City's fiscal structure and pose a possible peril to the long-term stability of City finances. Greater revenue growth and/or cost containment measures will be explored to mitigate future stress on City finances.

## **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Battle Creek for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2006. This was the eighth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the City of Battle Creek. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Battle Creek's finances.

**Wayne D. Wiley**  
**City Manager**

**James K. Ritsema**  
**Finance Director**

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Battle Creek  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



# City Commission

**City Attorney**  
**Clyde Robinson**

**City Manager**  
**Wayne Wiley**

**Assistant City Manager**  
**Ken Tsuchiyama**

**Planning & Community Development Director**  
**Mike Buckley**

Inspection Superintendent/Chief Building Official Kim Tuck  
Community Development Supervisor Al Giguere

**Finance Director**  
**Jim Ritsema**

Revenue Services Group Manager/  
City Assessor Judy Mudge  
Purchasing Agent Christine Huff  
Finance Services Manager Mark Haskins

Treasurer/Utility Billing  
Stan Chubinski  
Assistant Income  
Tax Administrator  
Lovette Wright  
Deputy Assessor  
Ken Buckelew

**Employee Relations Director**  
**Russ Claggett**

Risk Manager Rick Hensley  
Human Resources Manager Paul Engels

**Parks & Recreation Director**  
**Jeff Hovarter**

Superintendent of Facilities Linn Kracht  
Binder Park Golf Course Manager Ron Osborne  
P&R Revenue Services Manager Kevin Smith

**Chief Information Officer**  
**Dan Ryan**

Information Systems Administrator Mike Nofs  
Special Projects Task Leader Marcia Wentworth  
GIS Administrator Sarah VanWormer

**City Clerk**  
**Susan Bedsole**

Deputy City Clerk Deidre "Dee" Laser

**Assistant to the City Manager**  
**Michelle Reen**

Reprographics Manager Joe Kleczynski  
Print Shop, Mail Room, City Hall Maintenance

**Utilities Director**  
**Ken Kohs**

Records Manager Todd Gerber  
Water Superintendent Dave Rich  
Wastewater Superintendent Larry DeLong  
Environmental Program Coordinator Christine Kosmoswski

**City Engineer**  
**Chris Dopp**

Traffic Engineering Max Phares  
Streets and Parks Superintendent Jerome Clark

**Transportation Director**  
**Greg Zanotti**

Parking Systems Contractor: AMPCO  
Transit Manager Jerry Hutchison  
Airport Manager Larry Bowron  
Equipment Center/Fleet Management  
Assistant Transit Manager Rich Werner  
Airport Operations Manager James Canders

**Police Chief**  
**David Headings**

Police Management Services Shawnette Spicer  
Emergency Services Manager Jim Zoss  
Patrol Bureau  
Commander Jackie Hampton  
Investigative Services  
Commander Jim Saylor  
Internal Affairs  
Inspector Tim Hurt  
Lt. John Chrenenko  
Lt. Mike Sherzer  
Lt. Duane Knight  
Lt. Ray Felix

**911 Dispatch Manager Jill Fish**

**Fire Chief**  
**Larry Hausman**

Administrative Battalion Chiefs Bill Woodward & Richard Herworth  
Fire Inspection & Prevention Kim Yarger & Ralph Britton  
Training Officer Tom Lockton

**Code Compliance Administrator Dennis McKinley**

**Neighborhood and Community Services Director**  
**Cherise Brandell**

Neighborhood Organizers  
Neighborhood Resource Center  
Coordinator  
Neighborhoods Code Compliance Officers

**CITY OF BATTLE CREEK, MICHIGAN**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2007**  
**List of Principal City Officials**

**Elected Officials**

**City Commission:**

John K. Godfrey, Mayor  
Tony L. Walker, Vice Mayor

Susan Baldwin  
Mark A. Behnke  
Steve Franklin  
Ryan Hersha  
Nancy MacFarlane  
Deborah G. Owens  
Andrew Yankama

**Administration -- Appointed Officials and Senior Management**

City Manager .....Wayne D. Wiley  
Assistant City Manager.....Kenneth H. Tsuchiyama  
Assistant to the City Manager..... Michelle A. Reen  
City Attorney ..... Clyde J. Robinson  
City Clerk.....Susan E. Bedsole  
City Treasurer ..... Stanley J. Chubinski

Directors:

Finance Director ..... James K. Ritsema  
Employee Relations Director .....Russell W. Claggett  
Chief of Police..... David Headings  
Fire Chief..... Larry Hausman



## FINANCIAL SECTION



**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**



## **INDEPENDENT AUDITORS' REPORT**

November 20, 2007

Honorable Mayor and  
Members of the City Commission  
City of Battle Creek, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Battle Creek, Michigan**, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Battle Creek's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Battle Creek, Michigan, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the General Fund and Community Development Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2007, on our consideration of the City of Battle Creek, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, in a separately issued single audit report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3-14 and the Police and Fire Retirement System information on page 68 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Battle Creek's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, reading "Lehmann Lobson". The signature is written in a cursive, flowing style.

## MANAGEMENT'S DISCUSSION and ANALYSIS

## Management's Discussion and Analysis

As management of the *City of Battle Creek, Michigan*, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-iv of this report.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$369,282,902 (*net assets*). Of this amount, \$55,362,938 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$3,342,987.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$20,410,138, a decrease of \$1,740,184 in comparison with the prior year. Approximately 85 percent of this total amount, or \$17,418,117, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$5,627,199 or 12.5% of total general fund revenues and other financing sources.
- The City's total bonded debt decreased by \$3,439,000 during the current fiscal year; no new general obligation debt was issued during the year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.



The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, highways and streets, parks and recreation and community development. The business-type activities of the City include wastewater, water, public transit, solid waste collection and other enterprise operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also legally separate entities for which the City is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself. The Building Authority, although also legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 15-17 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 24 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the community development special revenue fund, which are considered to be major funds. Data from the other 22 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 18-26 of this report.

***Proprietary funds.*** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its wastewater, water, public transit, solid waste collection and other operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its equipment maintenance, self-insurance, information management services and printing/reproduction services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the wastewater and water system fund and economic development fund, which are considered to be major funds of the City. Conversely, all of the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 27-32 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 33-34 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-68 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to a schedule concerning the City's progress in funding its obligation to provide pension benefits to its police and fire employees. Required supplementary information can be found on page 69 of this report.

The combining statements referred to earlier in connection with nonmajor funds are presented immediately following the required supplementary information. Combining and individual fund financial statements and schedules can be found on pages 70-101 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Battle Creek, assets exceeded liabilities by \$372,625,891 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (82.9 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, systems and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Battle Creek's Net Assets

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 57,621,078	\$ 58,723,679	\$ 26,356,907	\$ 25,399,047	\$ 83,977,985	\$ 84,122,726
Capital assets	234,821,945	234,004,233	122,886,677	125,243,391	357,708,622	359,247,624
Total assets	292,443,023	292,727,912	149,243,584	150,642,438	441,686,607	443,370,350
Long-term liabilities outstanding	30,449,777	29,399,522	24,797,699	26,369,955	55,247,476	55,769,477
Other liabilities	12,048,576	10,193,886	5,107,653	4,781,096	17,156,229	14,974,982
Total liabilities	42,498,353	39,593,408	29,905,352	31,151,051	72,403,705	70,744,459
Net assets:						
Invested in capital assets, net						
of related debt	208,138,951	209,058,967	97,919,583	98,873,436	306,058,534	307,932,403
Restricted	7,861,430	5,837,903	-	-	7,861,430	5,837,903
Unrestricted	33,944,289	38,237,634	21,418,649	20,617,951	55,362,938	58,855,585
Total net assets	\$ 249,944,670	\$ 253,134,504	\$ 119,338,232	\$ 119,491,387	\$ 369,282,902	\$ 372,625,891

An additional portion of the City's net assets (2.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (15.0 percent or \$55,362,938) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets decreased by \$3,342,987 during the current fiscal year as compared to a decrease of \$1,476,227 for the prior year. The current year decrease in net assets reflects the extent by which accrual basis expenses, including depreciation on governmental capital assets and infrastructure, exceed revenues. The change from the prior year results of roughly \$1.9 million reflects a \$2.0 increase in revenues (including \$1.2 million increase in charges for services primarily from water and wastewater activities) and a \$4.0 increase in expenses (including \$1.3 million for the City Hall and Police Department building energy savings capital project and \$2.3 million increase in public safety activity costs).

### City of Battle Creek's Changes in Net Assets

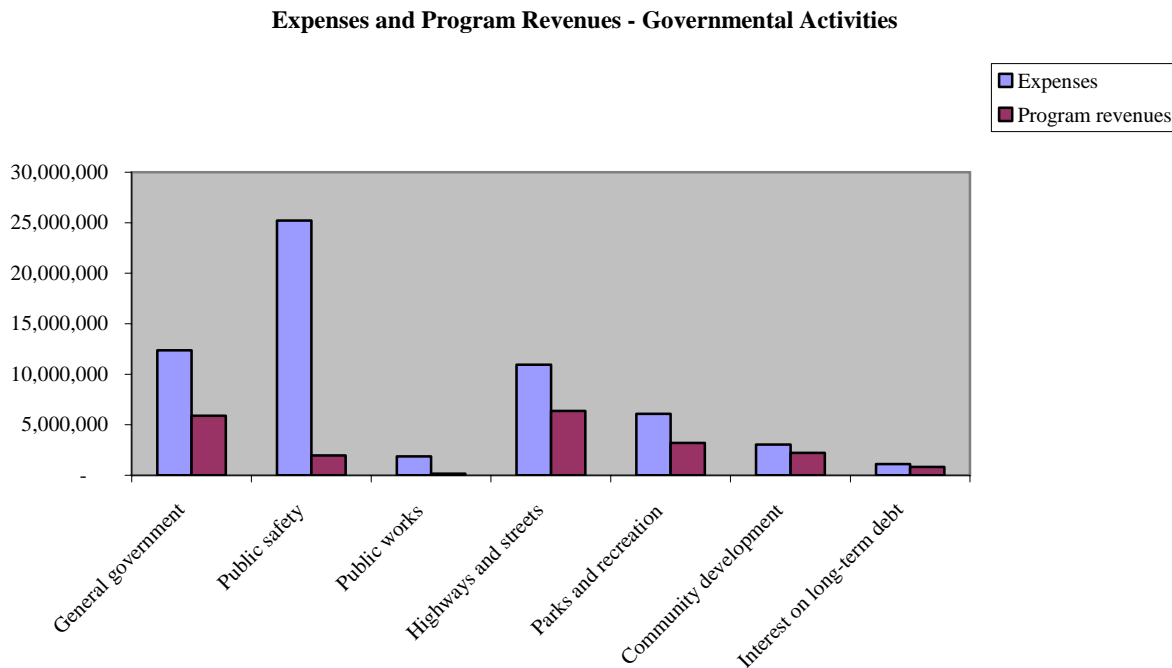
	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue:						
Program revenue:						
Charges for services	\$ 7,865,139	\$ 8,186,147	\$ 25,167,057	\$ 22,975,646	\$ 33,032,196	\$ 31,161,793
Grants and contributions:						
Operating	11,362,032	12,363,163	4,756,705	2,408,957	16,118,737	14,772,120
Capital	1,427,358	2,371,353	794,260	2,696,895	2,221,618	5,068,248
General revenue:						
Property taxes	15,322,115	14,580,358	-	-	15,322,115	14,580,358
Income taxes	14,226,870	14,450,183	-	-	14,226,870	14,450,183
Unrestricted grants and contributions	6,038,495	6,221,293	-	-	6,038,495	6,221,293
Other	2,166,102	1,241,966	668,682	289,480	2,834,784	1,531,446
Total revenue	58,408,111	59,414,463	31,386,704	28,370,978	89,794,815	87,785,441
Expenses:						
General government	12,354,963	10,138,832	-	-	12,354,963	10,138,832
Public safety	25,211,331	23,052,841	-	-	25,211,331	23,052,841
Public works	1,862,529	1,721,053	-	-	1,862,529	1,721,053
Highways and streets	10,947,131	10,648,811	-	-	10,947,131	10,648,811
Parks and recreation	6,098,967	7,528,251	-	-	6,098,967	7,528,251
Community development	3,033,185	2,602,331	-	-	3,033,185	2,602,331
Interest on long-term debt	1,103,096	1,079,398	-	-	1,103,096	1,079,398
Sewer	-	-	14,492,263	14,598,187	14,492,263	14,598,187
Water	-	-	7,222,797	6,897,186	7,222,797	6,897,186
Transit system	-	-	3,762,533	3,724,879	3,762,533	3,724,879
Solid waste collection	-	-	2,437,238	2,292,562	2,437,238	2,292,562
Airport	-	-	2,094,172	1,991,606	2,094,172	1,991,606
Golf course	-	-	1,184,758	1,199,704	1,184,758	1,199,704
Parking	-	-	1,151,969	1,021,337	1,151,969	1,021,337
Economic development	-	-	180,870	764,690	180,870	764,690
Total expenses	60,611,202	56,771,517	32,526,600	32,490,151	93,137,802	89,261,668
Decrease in net assets						
before transfers	(2,203,091)	2,642,946	(1,139,896)	(4,119,173)	(3,342,987)	(1,476,227)
Transfers	(986,742)	(695,480)	986,742	695,480	-	-
Change in net assets	(3,189,833)	1,947,466	(153,154)	(3,423,693)	(3,342,987)	(1,476,227)
Net assets - beginning of year	253,134,503	251,187,037	119,491,386	122,915,079	372,625,889	374,102,116
Net assets - end of year	\$ 249,944,670	\$ 253,134,503	\$ 119,338,232	\$ 119,491,386	\$ 369,282,902	\$ 372,625,889

**Governmental activities.** Governmental activities decreased the City's net assets by \$3,189,833 (as compared to a prior year increase of \$1,947,466). Key elements of this decrease and the change from the prior year are as follows:

- Total revenue decreased by \$1.0 million as a result of a nearly \$2.0 million decrease in operating and capital grants offset by a \$740,000 increase in property taxes and a \$925,000 increase in other revenues (primarily from increased investment earnings and a one-time receipt from a local organization for the repayment of a loan from the State of Michigan pertaining to the Cereal City museum).
- Total expenses increased by approximately \$4.0 million. This included a \$1.3 million increase for the acquisition and installation of energy savings equipment in City Hall and the adjacent Police Department building and \$2.3 million increase in public safety activity costs, which included \$425,000 of increased pension contribution costs, \$990,000 increase in depreciation and other GASB 34 adjustments, \$130,000 of first-time interest expense on central dispatch equipment and various inflationary increases in other line items).

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## Expenses and Program Revenues - Governmental Activities

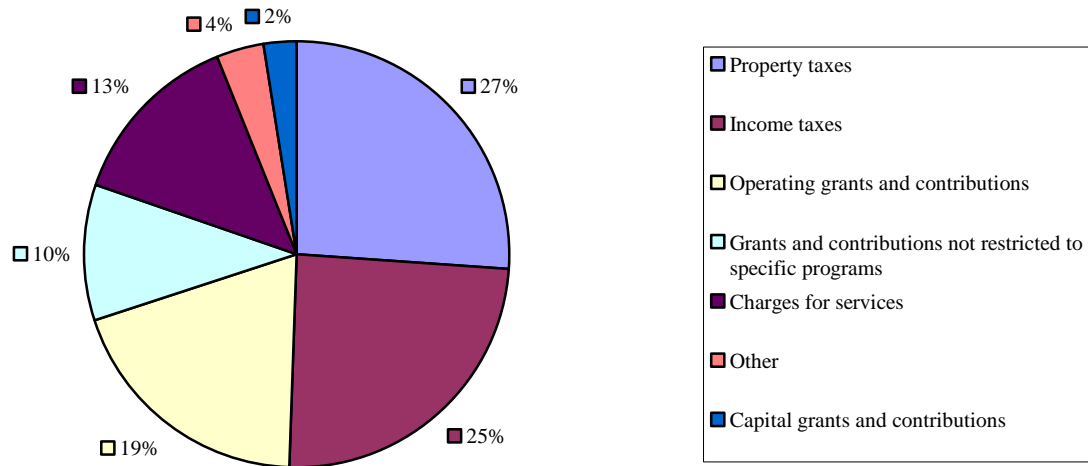




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## Revenues by Source - Governmental Activities

Revenues by Source - Governmental Activities



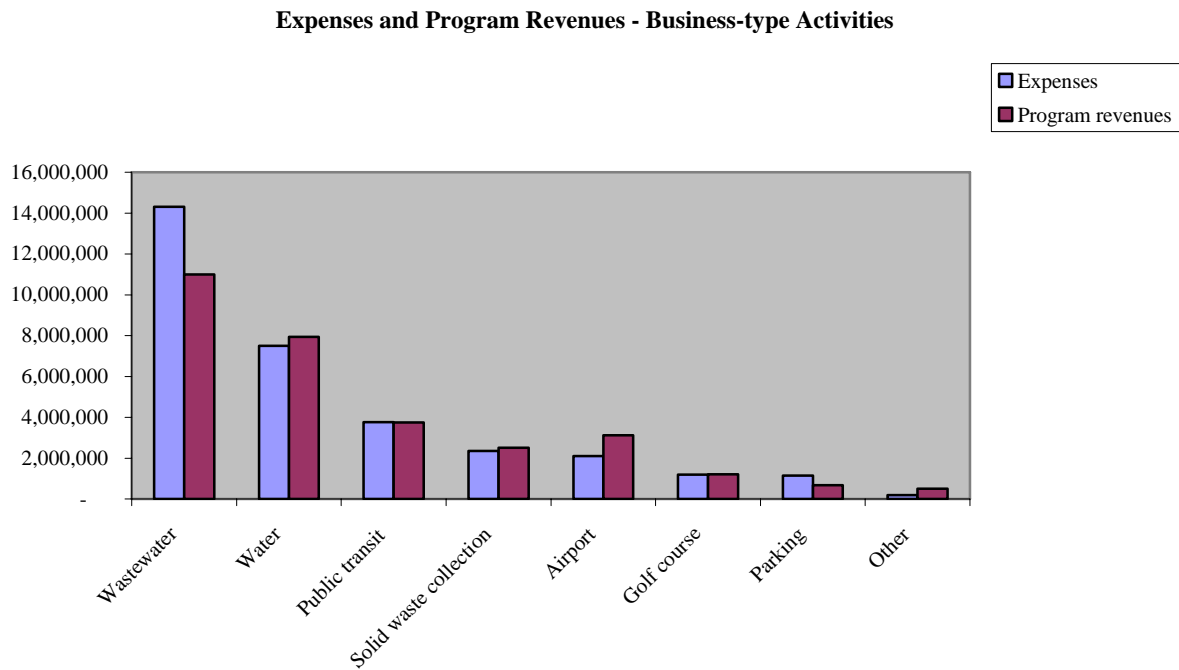
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**Business-type activities.** Business-type activities decreased the City's net assets by \$153,154 as compared to a decrease of \$3,423,693 the prior year. Key elements for this change include:

- Increase of \$1.2 million in various charges for services in the water and wastewater activities.
- Cost control measures over expenses resulting in marginal increases therein.

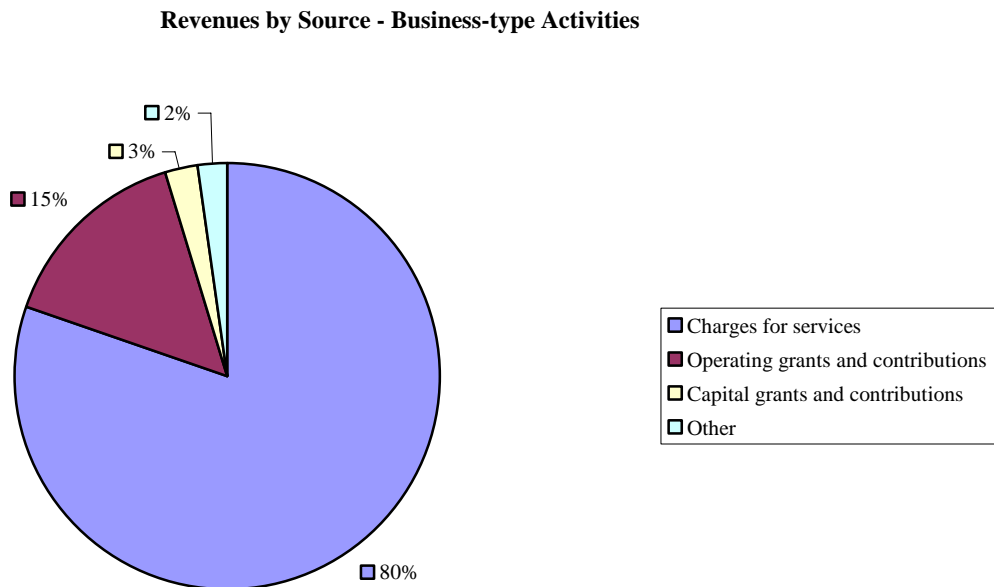
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## Expenses and Program Revenues - Business-type Activities



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## Revenues by Source - Business-type Activities



## Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$20,410,138, a decrease of \$1,740,184 in comparison with the prior year. Approximately 85% of this total amount (\$17,418,117) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed:

- to generate income for the support and maintenance of the youth center and Kellogg Arena (\$2,123,533); and
- for inventories, prepaid expenditures and encumbrances (\$868,488).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved undesignated fund balance of the general fund was \$5,627,199, while total fund balance was \$8,080,517. As a measure of the general fund's liquidity, it may be useful to compare unreserved undesignated fund balance to total general fund revenues. Unreserved undesignated fund balance represents 12.5 percent of total general fund revenues and other financing sources.

The fund balance of the City's general fund decreased by \$1,689,459 during the current fiscal year. This was a planned use of fund balance, but significantly less than the final budgeted decrease in fund balance of \$1,906,993.

The community development fund has no fund balance, which is the same as the previous year, since this is a grant-driven fund. Original budget estimates anticipated a greater level of activity than actually occurred; however, community development grant funds may be carried over to subsequent years.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the water and wastewater system fund at the end of the year amounted to \$10,529,589. The fund had a decrease in net assets for the year of \$2,927,605. Factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

The economic development fund had total net assets at the end of the year of \$9,814,485, all of which was unrestricted. For the year, the fund had an increase in net assets of \$372,055 primarily because of a reduction in operating expenses from \$690,000 to \$125,000, most of which is attributable to substantially lower loan loss provisions.

## General Fund Budgetary Highlights

Differences between the original and final amended budgets for expenditures were relatively minor. Changes between original and final budget balances result from the carryover of certain budget appropriations under the City's budgetary policies.

For the year, general fund budgetary estimates for revenues, expenditures and other financing sources and uses exceeded actual, resulting in a net decrease in fund balance that was \$217,534 less than anticipated in the final amended budget.

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2007, amounted to \$357,708,622 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, system, vehicles and equipment, park facilities, roads, highways, and bridges. Net capital assets for governmental activities increased 0.3%, and for business-type activities decreased by 1.9%. Overall, total net capital assets for the City decreased 0.4%.

Major capital asset events during the current fiscal year included the following:

- Water and wastewater system improvements totaling \$3.4 million in the current year.
- Transit system bus purchases of \$1.1 million.
- Central dispatch equipment improvements of approximately \$1.6 million.
- Current year infrastructure additions of over \$5.1 million.

### City of Battle Creek's Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Land and land improvements	\$ 5,661,838	\$ 5,360,505	\$ 7,040,518	\$ 6,906,843	\$ 12,702,356	\$ 12,267,348
Buildings	32,254,163	33,230,597	25,110,668	26,686,223	57,364,831	59,916,820
Vehicles	2,847,964	2,877,363	1,568,155	728,086	4,416,119	3,605,449
Equipment	7,297,692	4,951,433	4,939,420	5,604,674	12,237,112	10,556,107
Systems	-	-	84,227,916	85,317,565	84,227,916	85,317,565
Infrastructure	186,760,288	187,584,335	-	-	186,760,288	187,584,335
Total	<u>\$ 234,821,945</u>	<u>\$ 234,004,233</u>	<u>\$ 122,886,677</u>	<u>\$ 125,243,391</u>	<u>\$ 357,708,622</u>	<u>\$ 359,247,624</u>

Additional information on the City's capital assets can be found in Note 3-D. on pages 52-53 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$47,370,000. Of this amount, \$26,720,000 is comprised of debt backed by the full faith and credit of the government. The remainder of the City's bonded debt represents bonds secured solely by specified revenue sources.

**City of Battle Creek's Outstanding Debt**  
General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 22,860,000	\$ 24,729,000	\$ 3,860,000	\$ 4,195,000	\$ 26,720,000	\$ 28,924,000
Revenue bonds	-	-	20,650,000	21,885,000	20,650,000	21,885,000
Special assessment bonds	-	-	-	-	-	-
Total	<u>\$ 22,860,000</u>	<u>\$ 24,729,000</u>	<u>\$ 24,510,000</u>	<u>\$ 26,080,000</u>	<u>\$ 47,370,000</u>	<u>\$ 50,809,000</u>

The City's total bonded debt decreased by \$3,439,000 (6.8 percent) during the current fiscal year, with no new bonded debt issued during the year.

The following chart depicts the City's credit rating for the various outstanding debt and the different rating agencies:

	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fitch</u>
Water and wastewater revenue bonds	A3	A	A+
General obligation limited tax bonds	A1	A+	AA-
General obligation unlimited tax bonds	A1	A+	nr

**nr – not rated**

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total state equalized valuation. The current debt limitation for the City is \$181,362,764 which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 3-G. on pages 55-61 of this report.



## **Economic Factors and Next Year's Budgets and Rates**

With the aid of a new long-term financial model, the following factors were considered in preparing the City's budget for the 2007-08 fiscal year:

- Developed budget within the context of the forecasted revenues and expenditures.
- Continued marginal growth in the City's income tax due to reduction in personal exemptions and job growth.
- Slight reduction in constitutional state shared revenue.
- Limited growth in total controlled revenues.
- Inflationary trends in the region are comparable to national indices.

During the current fiscal year, unreserved undesignated fund balance in the general fund decreased by \$1,060,635 to \$5,627,199. The City has appropriated \$120,600 of general fund unreserved fund balance for spending in the 2007-08 fiscal year budget.

## **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Finance Director, P.O. Box 1717, Battle Creek, Michigan 49016-1717.

## BASIC FINANCIAL STATEMENTS

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Net Assets**  
**June 30, 2007**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Assets</b>				
Pooled cash and investments	\$ 32,514,956	\$ 15,883,468	\$ 48,398,424	\$ 18,534,221
Receivables	18,803,759	4,859,731	23,663,490	1,885,802
Receivables, long term portion	6,622,529	3,142,651	9,765,180	-
Internal balances	(1,020,294)	1,020,294	-	-
Inventories, prepaid items and other assets	700,128	1,450,763	2,150,891	469,336
Capital assets not being depreciated	371,094	3,780,552	4,151,646	11,679,397
Capital assets being depreciated, net	234,450,851	119,106,125	353,556,976	568,278
<b>Total assets</b>	<b>292,443,023</b>	<b>149,243,584</b>	<b>441,686,607</b>	<b>33,137,034</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	10,965,583	4,702,642	15,668,225	521,922
Accrued interest payable	272,338	383,241	655,579	335,891
Unearned revenue	810,655	21,770	832,425	-
Long-term liabilities:				
Due within one year	2,427,042	1,896,874	4,323,916	51,219,297
Due in more than one year	28,022,735	22,900,825	50,923,560	11,309,145
<b>Total liabilities</b>	<b>42,498,353</b>	<b>29,905,352</b>	<b>72,403,705</b>	<b>63,386,255</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	208,138,951	97,919,583	306,058,534	8,544,890
Restricted for:				
Debt service	1,099,349	-	1,099,349	4,000,032
Capital projects	2,795,305	-	2,795,305	12,220,965
Endowment - nonexpendable	2,123,533	-	2,123,533	-
Endowment - expendable	1,381,477	-	1,381,477	-
Other purposes	461,766	-	461,766	1,486,550
Unrestricted (deficit)	33,944,289	21,418,649	55,362,938	(56,501,658)
<b>Total net assets (deficit)</b>	<b>\$ 249,944,670</b>	<b>\$ 119,338,232</b>	<b>\$ 369,282,902</b>	<b>\$ (30,249,221)</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Activities**  
**For the Year Ended June 30, 2007**

<b>Functions / Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Primary government</b>					
Governmental activities:					
General government	\$ 12,354,963	\$ 2,535,769	\$ 3,373,809	\$ -	\$ (6,445,385)
Public safety	25,211,331	1,926,202	43,430	-	(23,241,699)
Public works	1,862,529	111,494	50,152	-	(1,700,883)
Highways and streets	10,947,131	1,903	5,659,882	698,701	(4,586,645)
Parks and recreation	6,098,967	3,159,269	37,113	-	(2,902,585)
Community development	3,033,185	130,502	2,099,097	-	(803,586)
Interest on long-term debt	1,103,096	-	98,549	728,657	(275,890)
Total governmental activities	60,611,202	7,865,139	11,362,032	1,427,358	(39,956,673)
Business-type activities:					
Wastewater	14,492,263	10,992,780	-	-	(3,499,483)
Water	7,222,797	7,789,671	32,862	115,242	714,978
Public transit	3,762,533	356,902	3,398,685	-	(6,946)
Solid waste collection	2,437,238	2,516,122	-	-	78,884
Airport	2,094,172	1,124,816	1,325,158	679,018	1,034,820
Golf course	1,184,758	1,208,185	-	-	23,427
Parking	1,151,969	681,515	-	-	(470,454)
Economic development	180,870	497,066	-	-	316,196
Total business-type activities	32,526,600	25,167,057	4,756,705	794,260	(1,808,578)
Total primary government	<u>\$ 93,137,802</u>	<u>\$ 33,032,196</u>	<u>\$ 16,118,737</u>	<u>\$ 2,221,618</u>	<u>\$ (41,765,251)</u>
<b>Component units</b>					
Community development	<u>\$ 14,198,673</u>	<u>\$ 106,280</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,092,393)</u>

Continued...

**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Activities (Concluded)**  
**For the Year Ended June 30, 2007**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Changes in net assets</b>				
Net expense	\$ (39,956,673)	\$ (1,808,578)	\$ (41,765,251)	\$ (14,092,393)
General revenues:				
Property taxes	15,322,115	-	15,322,115	15,956,725
Income taxes	14,226,870	-	14,226,870	-
Grants and contributions not restricted to specific programs	6,038,495	-	6,038,495	-
Unrestricted investment earnings	2,166,102	668,682	2,834,784	1,126,767
Transfers - internal activities	(986,742)	986,742	-	-
Total general revenues and transfers	36,766,840	1,655,424	38,422,264	17,083,492
Change in net assets	(3,189,833)	(153,154)	(3,342,987)	2,991,099
Net assets (deficit), beginning of year	253,134,503	119,491,386	372,625,889	(33,240,320)
<b>Net assets (deficit), end of year</b>	<b>\$ 249,944,670</b>	<b>\$ 119,338,232</b>	<b>\$ 369,282,902</b>	<b>\$ (30,249,221)</b>

The accompanying notes are an integral part of these financial statements.

## FUND FINANCIAL STATEMENTS

# CITY OF BATTLE CREEK, MICHIGAN

## Balance Sheet Governmental Funds June 30, 2007

	<u>General</u>	<u>Community Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Pooled cash and investments	\$ 5,673,780	\$ -	\$ 11,499,078	\$ 17,172,858
Receivables:				
Interest	305,884	-	80,884	386,768
Accounts	5,124,124	781	1,245,949	6,370,854
Special assessments	-	-	178,424	178,424
Grants	34,772	214,684	1,285,362	1,534,818
Loans	6,824,935	2,875,375	-	9,700,310
Inventories	14,266	-	16,428	30,694
Prepaid items	28,312	-	29,492	57,804
Interfund receivable	2,881,800	-	-	2,881,800
	<u>2,881,800</u>	<u>-</u>	<u>-</u>	<u>2,881,800</u>
<b><u>TOTAL ASSETS</u></b>	<u>\$ 20,887,873</u>	<u>\$ 3,090,840</u>	<u>\$ 14,335,617</u>	<u>\$ 38,314,330</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 3,581,328	\$ -	\$ 952,249	\$ 4,533,577
Accrued payroll	1,800,689	-	-	1,800,689
Retentions, deposits and other liabilities	24,497	18,366	400,314	443,177
Interfund payable	-	197,099	260,261	457,360
Deferred revenue	7,400,842	2,875,375	393,172	10,669,389
Total liabilities	<u>12,807,356</u>	<u>3,090,840</u>	<u>2,005,996</u>	<u>17,904,192</u>
<b>Fund balances</b>				
Reserved for:				
Inventories	14,266	-	16,428	30,694
Prepaid items	28,312	-	29,492	57,804
Encumbrances	537,867	-	242,123	779,990
Endowment	-	-	2,123,533	2,123,533
Unreserved:				
Designated for:				
Capital outlay and projects	1,255,815	-	-	1,255,815
Future departmental appropriations	496,458	-	-	496,458
Future departmental appropriations, reported in nonmajor capital projects funds	-	-	823,556	823,556
Subsequent year expenditures	120,600	-	-	120,600
Subsequent year expenditures, reported in nonmajor special revenue funds	-	-	956,071	956,071
Undesignated	5,627,199	-	-	5,627,199
Undesignated, reported in nonmajor:				
Special revenue funds	-	-	1,118,927	1,118,927
Debt service funds	-	-	1,099,349	1,099,349
Capital projects funds	-	-	4,538,665	4,538,665
Permanent funds	-	-	1,381,477	1,381,477
Total fund balances	<u>8,080,517</u>	<u>-</u>	<u>12,329,621</u>	<u>20,410,138</u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<u>\$ 20,887,873</u>	<u>\$ 3,090,840</u>	<u>\$ 14,335,617</u>	<u>\$ 38,314,330</u>

The accompanying notes are an integral part of these financial statements.



**CITY OF BATTLE CREEK, MICHIGAN**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**June 30, 2007**

<b>Fund balances - total governmental funds</b>	<b>\$ 20,410,138</b>
-------------------------------------------------	----------------------

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	333,084,848
Deduct - accumulated depreciation	(100,820,387)

Internal service funds are used by management to charge the costs of certain equipment usage to individual governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Add - net assets of governmental internal service funds	11,965,703
Deduct - portion of internal service funds net operating loss attributed to business-type funds	(1,020,294)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current expenditures. Those assets (i.e., receivables) are offset by deferred revenues in the governmental funds and, therefore, not included in fund balance.

Add - deferred special assessments	178,424
Add - loans receivable related to the sale of capital assets	6,795,935
Add - other loans receivable	2,884,375

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds, installment contracts and loans payable	(26,833,026)
Add - unamortized bond issuance costs	183,382
Add - receivables from other entities for their share of debt	7,154,693
Deduct - accrued interest on bonds, loans and leases payable	(272,338)
Deduct - compensated absences	(3,766,783)

<b>Net assets of governmental activities</b>	<b><u>\$ 249,944,670</u></b>
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The accompanying notes are an integral part of these financial statements.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2007**

	<u>General</u>	<u>Community Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenue</b>				
Taxes	\$ 29,548,985	\$ -	\$ -	\$ 29,548,985
Licenses and permits	1,075,341	-	-	1,075,341
Intergovernmental	7,814,021	1,503,977	7,347,979	16,665,977
Charges for services	2,436,074	-	2,238,517	4,674,591
Fines and forfeitures	210,795	-	-	210,795
Investment income	1,408,071	1,506	523,777	1,933,354
Other	1,607,005	130,452	2,904,744	4,642,201
	<u>44,100,292</u>	<u>1,635,935</u>	<u>13,015,017</u>	<u>58,751,244</u>
Total revenue				
	<u>44,100,292</u>	<u>1,635,935</u>	<u>13,015,017</u>	<u>58,751,244</u>
<b>Expenditures</b>				
Current expenditures:				
General government	7,100,784	-	3,224,497	10,325,281
Public safety	24,691,224	-	415,087	25,106,311
Public works	1,606,562	-	-	1,606,562
Highway and streets	-	-	9,837,482	9,837,482
Parks and recreation	4,013,727	-	1,743,579	5,757,306
Community development	-	1,633,685	459,476	2,093,161
Unallocated	2,871,545	-	251,516	3,123,061
Debt service:				
Principal retirement	-	-	2,889,000	2,889,000
Interest	-	-	1,127,753	1,127,753
Capital outlay	-	-	2,807,886	2,807,886
	<u>40,283,842</u>	<u>1,633,685</u>	<u>22,756,276</u>	<u>64,673,803</u>
Total expenditures				
	<u>40,283,842</u>	<u>1,633,685</u>	<u>22,756,276</u>	<u>64,673,803</u>
Revenue over (under) expenditures	<u>3,816,450</u>	<u>2,250</u>	<u>(9,741,259)</u>	<u>(5,922,559)</u>
<b>Other financing sources (uses)</b>				
Loan proceeds	-	-	3,708,005	3,708,005
Transfers in	70,307	-	8,465,118	8,535,425
Transfers out	(6,273,924)	(2,250)	(2,482,589)	(8,758,763)
Proceeds from sales of capital assets	697,708	-	-	697,708
	<u>(5,505,909)</u>	<u>(2,250)</u>	<u>9,690,534</u>	<u>4,182,375</u>
Total other financing sources (uses)				
	<u>(5,505,909)</u>	<u>(2,250)</u>	<u>9,690,534</u>	<u>4,182,375</u>
Net change in fund balances	(1,689,459)	-	(50,725)	(1,740,184)
Fund balances, beginning of year	<u>9,769,976</u>	<u>-</u>	<u>12,380,346</u>	<u>22,150,322</u>
<b>Fund balances, end of year</b>	<u><u>\$ 8,080,517</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,329,621</u></u>	<u><u>\$ 20,410,138</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2007**

**Net change in fund balances - total governmental funds** **\$ (1,740,184)**

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	7,176,689
Add - capital contributions	698,701
Deduct - depreciation expense	(7,103,240)

Revenues in the statement of activities that do not provide current resources are not reported as revenues in the funds, but rather are deferred to subsequent fiscal years.

Deduct - decrease in special assessments	(42,313)
Deduct - collections on land contracts related to the sale of capital assets	(688,409)
Deduct - decrease in deferred revenues related to loans receivable	(1,358)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Deduct - proceeds of long-term debt issuance	(3,708,005)
Add - principal payments on long-term liabilities	2,889,000
Add - amortization of premiums on bonds	5,003
Deduct - amount received from other entities for their share of debt principal	(1,376,462)

Internal service funds are used by management to charge the costs of certain equipment usage to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Add - net operating income from governmental activities in internal service funds	1,304,757
Add - interest revenue from governmental internal service funds	367,642
Add - transfers received in governmental internal service funds	464,318
Deduct - interest paid from governmental activities in internal service funds	(504)
Deduct - transfers made from governmental internal services funds	(1,227,722)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in accrued interest payable on bonds	20,158
Deduct - increase in the accrual for compensated absences	(212,527)
Deduct - amortization of bond issuance costs	(15,377)

**Change in net assets of governmental activities** **\$ (3,189,833)**

The accompanying notes are an integral part of these financial statements.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2007**

	<b>Budget</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenue</b>				
<b>Taxes</b>				
City income	\$ 14,219,836	\$ 14,219,836	\$ 14,226,870	\$ 7,034
Real estate	12,726,994	12,726,994	12,516,185	(210,809)
Personal property	1,657,974	1,657,974	1,778,866	120,892
Administration fees	901,500	901,500	953,756	52,256
Other	-	-	73,308	73,308
Total taxes	29,506,304	29,506,304	29,548,985	42,681
<b>Licenses and permits</b>	1,051,425	1,051,425	1,075,341	23,916
<b>Intergovernmental</b>				
State-Shared - Statutory	2,646,332	2,646,332	2,435,973	(210,359)
State-Shared - Constitutional	3,475,668	3,475,668	3,566,228	90,560
Other	1,797,238	1,797,238	1,811,820	14,582
Total intergovernmental	7,919,238	7,919,238	7,814,021	(105,217)
<b>Charges for services</b>				
Parks and recreation	1,598,916	1,579,536	1,391,751	(187,785)
Police services	807,769	807,769	812,793	5,024
Emergency dispatch	300,637	300,637	231,530	(69,107)
Total charges for services	2,707,322	2,687,942	2,436,074	(251,868)
<b>Fines and forfeitures</b>	213,900	213,900	210,795	(3,105)
<b>Investment income</b>	1,681,281	1,681,281	1,408,071	(273,210)
<b>Other</b>				
Rent and leases	208,213	208,213	200,190	(8,023)
Contributions and donations	97,163	145,417	38,830	(106,587)
Miscellaneous and other	721,595	721,595	384,217	(337,378)
Administrative reimbursements	974,827	975,872	983,768	7,896
Total other revenue	2,001,798	2,051,097	1,607,005	(444,092)
<b>Total revenue</b>	<b>45,081,268</b>	<b>45,111,187</b>	<b>44,100,292</b>	<b>(1,010,895)</b>

Continued...

**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual (Continued)**  
**General Fund**  
**For the Year Ended June 30, 2007**

	<b>Budget</b>		<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures</b>				
<b>General government</b>				
Administration:				
Mayor and city commission	\$ 120,114	\$ 134,839	\$ 127,657	\$ (7,182)
City clerk	238,717	215,718	209,419	(6,299)
City manager	684,119	690,431	695,502	5,071
City hall	346,156	363,712	334,154	(29,558)
Neighborhood partnership	151,932	153,649	155,057	1,408
Neighborhood code compliance	106,430	106,742	111,580	4,838
Employee relations	228,819	228,819	224,424	(4,395)
Human resources	336,108	340,646	310,145	(30,501)
Labor attorney	20,600	45,600	81,597	35,997
Legal department	682,425	683,470	656,907	(26,563)
Elections	147,667	154,742	151,910	(2,832)
Civil service	138,773	154,973	154,507	(466)
Total administration	3,201,860	3,273,341	3,212,859	(60,482)
Community development:				
City planning	660,148	689,839	668,141	(21,698)
Inspection	548,529	566,415	499,381	(67,034)
Housing board of appeals	4,850	4,850	4,557	(293)
Intermodal facility	73,413	73,413	67,091	(6,322)
Total community development	1,286,940	1,334,517	1,239,170	(95,347)
Finance:				
Accounting	919,394	931,083	869,546	(61,537)
Purchasing	331,828	331,828	287,649	(44,179)
Treasurer's office	382,194	386,251	337,414	(48,837)
Assessing	709,905	722,045	686,084	(35,961)
Income tax division	537,069	537,150	468,049	(69,101)
Total finance	2,880,390	2,908,357	2,648,742	(259,615)
District court	-	-	13	13
Total general government	7,369,190	7,516,215	7,100,784	(415,431)

Continued...

**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual (Continued)**  
**General Fund**  
**For the Year Ended June 30, 2007**

Expenditures (continued)	Budget		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Public safety</b>				
Police department:				
Administration	\$ 539,748	\$ 460,139	\$ 468,243	\$ 8,104
Crime lab	630,700	630,700	610,848	(19,852)
Investigation	1,072,916	1,079,496	1,057,171	(22,325)
Neighborhood enforcement	216,146	216,146	209,843	(6,303)
Special investigative unit	501,175	501,175	540,996	39,821
Management service	842,052	842,052	816,650	(25,402)
Patrol	9,098,533	9,184,648	9,017,633	(167,015)
Community service	721,657	721,657	804,226	82,569
Officer training	181,707	182,907	162,003	(20,904)
Detention center	187,841	187,841	202,264	14,423
Cold case team	198,084	207,276	193,959	(13,317)
Weapons task force	-	111,380	143,284	31,904
Total police department	14,190,559	14,325,417	14,227,120	(98,297)
Fire department:				
Administration	805,644	819,571	767,293	(52,278)
Fire fighting	7,816,664	7,773,606	7,598,794	(174,812)
Total fire department	8,622,308	8,593,177	8,366,087	(227,090)
Dispatch	2,080,750	2,081,905	1,966,943	(114,962)
Civil defense	123,162	123,162	131,074	7,912
Total public safety	25,016,779	25,123,661	24,691,224	(432,437)
<b>Public works</b>				
Public works director	-	2,656	2,075	(581)
Street and storm sewers	160,798	161,630	285,918	124,288
Engineering	139,401	139,505	102,914	(36,591)
Street lighting	1,002,750	1,027,587	1,116,527	88,940
Outside service	359,944	359,944	99,128	(260,816)
Total public works	1,662,893	1,691,322	1,606,562	(84,760)

Continued...

**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual (Concluded)**  
**General Fund**  
**For the Year Ended June 30, 2007**

	<b>Budget</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Expenditures (concluded)</b>				
<b>Parks and recreation</b>				
Administration	\$ 624,151	\$ 628,121	\$ 615,614	\$ (12,507)
Parks, buildings and maintenance	863,248	847,728	839,366	(8,362)
Downtown maintenance	474,189	474,639	392,857	(81,782)
Sports	958,453	1,043,945	808,043	(235,902)
Youth center and water park	1,386,107	1,386,182	1,357,847	(28,335)
Total parks and recreation	4,306,148	4,380,615	4,013,727	(366,888)
<b>Unallocated</b>				
Retirement benefits	180,250	932,100	994,579	62,479
Data processing	1,001,390	1,001,390	1,001,390	-
Other	1,003,278	827,822	875,576	47,754
Total unallocated	2,184,918	2,761,312	2,871,545	110,233
Total expenditures	40,539,928	41,473,125	40,283,842	(1,189,283)
Revenue over expenditures	4,541,340	3,638,062	3,816,450	178,388
<b>Other financing sources (uses)</b>				
Transfers in	5,258	41,183	70,307	29,124
Transfers out	(5,938,005)	(6,274,646)	(6,273,924)	722
Proceeds from sales of capital assets	688,408	688,408	697,708	9,300
Total other financing (uses)	(5,244,339)	(5,545,055)	(5,505,909)	39,146
Net change in fund balances	(702,999)	(1,906,993)	(1,689,459)	217,534
Fund balance, beginning of year	9,769,976	9,769,976	9,769,976	-
<b>Fund balance, end of year</b>	<u>\$ 9,066,977</u>	<u>\$ 7,862,983</u>	<u>\$ 8,080,517</u>	<u>\$ 217,534</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Community Development Special Revenue Fund**  
**For the Year Ended June 30, 2007**

	<b>Budget</b>			<b>Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Over (Under) Final Budget</b>
<b>Revenues</b>				
Intergovernmental revenue	\$1,524,670	\$ 2,818,938	\$ 1,503,977	\$ (1,314,961)
Interest	-	1,505	1,506	1
Loan collection and other	-	130,452	130,452	-
Total revenues	1,524,670	2,950,895	1,635,935	(1,314,960)
<b>Expenditures</b>				
Community development	1,512,855	2,948,645	1,633,685	(1,314,960)
Revenues over (under) expenditures	11,815	2,250	2,250	-
<b>Other financing uses</b>				
Transfers out	(2,250)	(2,250)	(2,250)	-
Net change in fund balances	9,565	-	-	-
Fund balances, beginning of year	-	-	-	-
<b>Fund balances, end of year</b>	<b>\$ 9,565</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The accompanying notes are an integral part of these financial statements.



**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2007**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b>Water and Wastewater System</b>	<b>Economic Development</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	
<b>Assets</b>					
Current assets:					
Pooled cash and investments	\$ 6,791,177	\$ 9,504,919	\$ 2,011,812	\$ 18,307,908	\$ 12,917,658
Receivables:					
Interest	73,739	58,459	22,544	154,742	99,558
Accounts	2,894,192	278,921	210,667	3,383,780	863
Special assessments	225,294	-	-	225,294	-
Grants	15,754	-	854,365	870,119	-
Loans, current portion	-	225,796	-	225,796	-
Inventories	1,256,703	-	194,060	1,450,763	297,427
Prepaid items and other assets	-	-	-	-	314,203
Total current assets	<u>11,256,859</u>	<u>10,068,095</u>	<u>3,293,448</u>	<u>24,618,402</u>	<u>13,629,709</u>
Noncurrent assets:					
Loans receivable, net	-	3,142,651	-	3,142,651	-
Capital assets, net	96,016,161	-	26,870,516	122,886,677	2,557,484
Unamortized bond issuance costs	169,395	-	-	169,395	-
Total noncurrent assets	<u>96,185,556</u>	<u>3,142,651</u>	<u>26,870,516</u>	<u>126,198,723</u>	<u>2,557,484</u>
Total assets	<u>107,442,415</u>	<u>13,210,746</u>	<u>30,163,964</u>	<u>150,817,125</u>	<u>16,187,193</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	16,410	3,396,261	108,201	3,520,872	-
Accrued payroll and compensated absences	336,136	-	160,006	496,142	143,666
Retentions, deposits and other liabilities	248,173	-	39,915	288,088	-
Accrued interest payable	295,946	-	87,295	383,241	99
Claims payable	-	-	-	-	4,044,375
Interfund payable	-	-	2,424,440	2,424,440	-
Unearned revenue	-	-	21,770	21,770	-
Lease payable, current portion	-	-	121,874	121,874	7,708
Bonds payable, current portion	1,425,000	-	350,000	1,775,000	-
Total current liabilities	<u>2,321,665</u>	<u>3,396,261</u>	<u>3,313,501</u>	<u>9,031,427</u>	<u>4,195,848</u>
Noncurrent liabilities:					
Advances from component unit	-	-	397,540	397,540	-
Lease payable	-	-	852,670	852,670	25,642
Bonds payable	18,717,351	-	3,500,199	22,217,550	-
Total noncurrent liabilities	<u>18,717,351</u>	<u>-</u>	<u>4,750,409</u>	<u>23,467,760</u>	<u>25,642</u>
Total liabilities	<u>21,039,016</u>	<u>3,396,261</u>	<u>8,063,910</u>	<u>32,499,187</u>	<u>4,221,490</u>
<b>Net assets</b>					
Invested in capital assets, net of related debt	75,873,810	-	22,045,773	97,919,583	2,524,134
Unrestricted	10,529,589	9,814,485	54,281	20,398,355	9,441,569
Total net assets	<u>\$ 86,403,399</u>	<u>\$ 9,814,485</u>	<u>\$ 22,100,054</u>	<u>\$ 118,317,938</u>	<u>\$ 11,965,703</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Reconciliation of Net Assets on the Statement of**  
**Net Assets for Enterprise Funds to Net Assets of**  
**Business-type Activities on the Statement of Net Assets**  
**June 30, 2007**

<b>Net assets - total enterprise funds</b>	<b>\$ 118,317,938</b>
--------------------------------------------	-----------------------

Amounts reported for *business-type activities* in the statement of net assets are different because:

Internal service funds are used by management to charge the costs of certain services to individual governmental and enterprise funds. The net revenue (expense) of the internal service funds are allocated to governmental and business-type activities.

Add - cumulative portion of internal service funds net operating income attributed to enterprise funds	<u>1,020,294</u>
-----------------------------------------------------------------------------------------------------------	------------------

<b>Net assets of business-type activities</b>	<b><u><u>\$ 119,338,232</u></u></b>
-----------------------------------------------	-------------------------------------

The accompanying notes are an integral part of these financial statements.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2007**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b>Water and Wastewater System</b>	<b>Economic Development</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	
<b>Operating revenues</b>					
Charges for services	\$ 18,366,936	\$ -	\$ 5,827,192	\$ 24,194,128	\$ 18,712,530
Other	415,515	118,962	60,348	594,825	125,448
Total operating revenues	18,782,451	118,962	5,887,540	24,788,953	18,837,978
<b>Operating expenses</b>					
Personal services	7,896,918	-	3,573,428	11,470,346	2,488,239
Materials and supplies	1,234,916	-	1,017,800	2,252,716	1,824,358
Contractual and other	5,581,108	125,011	4,430,458	10,136,577	11,898,790
Depreciation	6,408,001	-	1,534,547	7,942,548	792,636
Total operating expenses	21,120,943	125,011	10,556,233	31,802,187	17,004,023
Operating income (loss)	(2,338,492)	(6,049)	(4,668,693)	(7,013,234)	1,833,955
<b>Nonoperating revenues (expenses)</b>					
Intergovernmental subsidies	148,104	-	4,723,843	4,871,947	-
Interest income	548,655	378,104	120,027	1,046,786	367,642
Interest expense	(1,007,344)	-	(246,267)	(1,253,611)	(504)
Total nonoperating revenues (expenses)	(310,585)	378,104	4,597,603	4,665,122	367,138
Income (loss) before contributions and transfers	(2,649,077)	372,055	(71,090)	(2,348,112)	2,201,093
<b>Capital contributions</b>	-	-	679,018	679,018	-
<b>Transfers in</b>	240,460	-	1,544,364	1,784,824	464,318
<b>Transfers out</b>	(518,988)	-	(279,094)	(798,082)	(1,227,722)
Change in net assets	(2,927,605)	372,055	1,873,198	(682,352)	1,437,689
Net assets, beginning of year, as restated	89,331,004	9,442,430	20,226,856	119,000,290	10,528,014
<b>Net assets, end of year</b>	<u>\$ 86,403,399</u>	<u>\$ 9,814,485</u>	<u>\$ 22,100,054</u>	<u>\$ 118,317,938</u>	<u>\$ 11,965,703</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Reconciliation of the Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets of Enterprise Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2007**

<b>Change in net assets - total enterprise funds</b>	\$ (682,352)
------------------------------------------------------	--------------

Amounts reported for *business-type activities* in the statement of activities are different because:

Internal service funds are used by management to charge the costs of certain services to individual governmental and enterprise funds. The net revenue (expense) of the internal service funds are allocated to governmental and business-type activities.

Add - net operating income from internal service funds related to enterprise funds	<u>529,198</u>
------------------------------------------------------------------------------------	----------------

<b>Change in net assets of business-type activities</b>	<u><u>\$ (153,154)</u></u>
---------------------------------------------------------	----------------------------

The accompanying notes are an integral part of these financial statements.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2007**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b>Water and Wastewater System</b>	<b>Economic Development</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	
<b>Cash flows from operating activities</b>					
Receipts from customers and users	\$ 17,918,797	\$ 118,962	\$ 5,710,004	\$ 23,747,763	\$ -
Loans collected from borrowers	-	2,893,295	-	2,893,295	-
Loans made to borrowers	-	(803,320)	-	(803,320)	-
Receipts from interfund services	-	-	-	-	18,837,978
Payments to suppliers	(4,753,356)	-	(5,190,954)	(9,944,310)	(13,898,374)
Payments to employees	(7,886,648)	-	(3,539,568)	(11,426,216)	(2,490,705)
Payments for interfund services	(1,840,247)	-	(516,459)	(2,356,706)	-
Net cash provided by (used in) operating activities	<u>3,438,546</u>	<u>2,208,937</u>	<u>(3,536,977)</u>	<u>2,110,506</u>	<u>2,448,899</u>
<b>Cash flows from non-capital financing activities</b>					
Transfers in	240,460	-	1,544,364	1,784,824	464,318
Transfers out	(518,988)	-	(279,094)	(798,082)	(1,227,722)
Intergovernmental subsidies	147,605	-	4,714,835	4,862,440	-
Net cash provided by (used in) non-capital financing activities	<u>(130,923)</u>	<u>-</u>	<u>5,980,105</u>	<u>5,849,182</u>	<u>(763,404)</u>
<b>Cash flows from capital and related financing activities</b>					
Proceeds from interfund borrowing	-	-	18,085	18,085	-
Principal and interest paid on debt	(2,254,279)	-	(705,330)	(2,959,609)	-
Principal and interest paid on capital lease	-	-	-	-	(2,456)
Purchase of capital assets	(3,428,956)	-	(1,477,858)	(4,906,814)	(802,796)
Net cash used in capital and related financing activities	<u>(5,683,235)</u>	<u>-</u>	<u>(2,165,103)</u>	<u>(7,848,338)</u>	<u>(805,252)</u>
<b>Cash flows from investing activities</b>					
Interest received on investments	<u>561,197</u>	<u>375,446</u>	<u>121,095</u>	<u>1,057,738</u>	<u>357,828</u>
Net increase (decrease) in cash and cash equivalents	(1,814,415)	2,584,383	399,120	1,169,088	1,238,071
<b>Cash and cash equivalents</b>					
Beginning of year	<u>8,605,592</u>	<u>6,920,536</u>	<u>1,612,692</u>	<u>17,138,820</u>	<u>11,679,587</u>
<b>End of year</b>	<u>\$ 6,791,177</u>	<u>\$ 9,504,919</u>	<u>\$ 2,011,812</u>	<u>\$ 18,307,908</u>	<u>\$ 12,917,658</u>

Continued...

**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Cash Flows (Concluded)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2007**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b>Water &amp; Wastewater System</b>	<b>Economic Development</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>					
Operating income (loss)	\$ (2,338,492)	\$ (6,049)	\$ (4,668,693)	\$ (7,013,234)	\$ 1,833,955
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	6,408,001	-	1,534,547	7,942,548	792,636
Amortization	112,813	-	1,334	114,147	-
Changes in assets and liabilities:					
Accounts receivable	(937,620)	(377)	(101,835)	(1,039,832)	(863)
Special assessments receivable	73,966	-	-	73,966	-
Loans receivable	-	2,073,129	-	2,073,129	-
Inventories	20,026	-	39,465	59,491	54,485
Prepaid items	-	-	-	-	7,351
Accounts payable	10,005	142,234	105,990	258,229	-
Accrued payroll/compensated absences	10,270	-	33,860	44,130	(2,466)
Retentions, deposits and other liabilities	79,577	-	39,915	119,492	-
Claims payable	-	-	-	-	(236,199)
Interfund payable	-	-	(445,859)	(445,859)	-
Unearned revenue	-	-	(75,701)	(75,701)	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 3,438,546</b>	<b>\$ 2,208,937</b>	<b>\$ (3,536,977)</b>	<b>\$ 2,110,506</b>	<b>\$ 2,448,899</b>

**Noncash Items:**

As described in Note 1-D to the basic financial statements, the City maintains an investment pool for all funds. Accordingly, specific noncash disclosures for changes in the fair value of investments in the proprietary funds are not determinable.

A capital lease in the amount of \$35,401 was entered into during the year and recorded in an internal service fund.

Capital contributions of \$679,018 were received during the year in a nonmajor enterprise fund.

The accompanying notes are an integral part of these financial statements.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2007**

	<b>Pension and Other Employee Benefit Trust Funds</b>	<b>Agency Funds</b>
<b>Assets</b>		
Pooled cash and investments	\$ -	\$ 62,784
Cash and cash equivalents	4,365,847	-
Investments:		
U.S. treasuries	8,973,993	-
U.S. agencies	15,327,954	-
Domestic corporate securities	13,517,229	-
Domestic equities	49,622,622	-
American depository receipts	16,987,608	-
International equities	3,223,338	-
Interest receivable	467,113	-
Pension contributions receivable	114,578	-
Delinquent taxes receivable	-	2,401,118
	<hr/>	<hr/>
Total assets	112,600,282	<u><u>\$ 2,463,902</u></u>
<b>Liabilities</b>		
Deposits and retentions payable	-	<u><u>\$ 2,463,902</u></u>
<b>Net assets</b>		
Held in trust for pension and postemployment healthcare benefits	<u><u>\$ 112,600,282</u></u>	

The accompanying notes are an integral part of these financial statements.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Changes in Fiduciary Net Assets**  
**Pension and Other Employee Benefit Trust Funds**  
**For the Year Ended June 30, 2007**

**Additions**

Investment income:

Net realized and unrealized appreciation in fair value of investments	\$ 10,049,937
Interest and dividends	4,688,941
Less investment expenses	<u>(1,816,709)</u>

Net investment income	<u>12,922,169</u>
-----------------------	-------------------

Contributions:

Employer	3,540,775
Employees	<u>1,042,920</u>

Total contributions	<u>4,583,695</u>
---------------------	------------------

Total additions	<u>17,505,864</u>
-----------------	-------------------

**Deductions**

Pension benefit payments	5,993,919
Contribution refunds	111,456
Medical insurance premiums	1,049,327
Administrative expenses	<u>24,936</u>

Total deductions	<u>7,179,638</u>
------------------	------------------

**Net additions to net assets held in trust for benefits**

Employees' pension benefits	\$ 9,955,013	
Postemployment healthcare benefits	<u>371,213</u>	10,326,226

Net assets held in trust for benefits, beginning of year		<u>102,274,056</u>
----------------------------------------------------------	--	--------------------

**Net assets held in trust for benefits, end of year**

Restricted for employees' pension benefits	112,491,079	
Restricted for employees' postemployment healthcare benefits	<u>109,203</u>	<u>\$ 112,600,282</u>

The accompanying notes are an integral part of these financial statements.



**COMPONENT UNITS  
FINANCIAL STATEMENTS**

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Net Assets**  
**Component Units**  
**June 30, 2007**

	<b>Battle Creek Downtown Development Authority</b>	<b>Lakeview Downtown Development Authority</b>	<b>Battle Creek Tax Increment Financing Authority</b>	<b>Brownfield Redevelopment Authority</b>	<b>Local Development Finance Authority</b>	<b>Total</b>
<b>Assets</b>						
Pooled cash and investments	\$ 5,142,159	\$ 200,144	\$ 13,083,069	\$ 104,435	\$ 4,414	\$ 18,534,221
Receivables, net	1,344,531	9,134	133,553	1,002	42	1,488,262
Prepaid items and other assets	469,336	-	-	-	-	469,336
Advance to primary government	-	-	397,540	-	-	397,540
Capital assets not being depreciated	-	-	11,679,397	-	-	11,679,397
Capital assets being depreciated, net	-	-	568,278	-	-	568,278
<b>Total assets</b>	<b>6,956,026</b>	<b>209,278</b>	<b>25,861,837</b>	<b>105,437</b>	<b>4,456</b>	<b>33,137,034</b>
<b>Liabilities</b>						
Accounts payable and accrued liabilities	517,542	-	-	-	-	517,542
Accrued interest payable	242,748	-	93,143	-	-	335,891
Other liabilities	-	-	4,380	-	-	4,380
Long-term liabilities:						
Due within one year	49,345,625	-	1,873,672	-	-	51,219,297
Due in more than one year	-	-	11,309,145	-	-	11,309,145
<b>Total liabilities</b>	<b>50,105,915</b>	<b>-</b>	<b>13,280,340</b>	<b>-</b>	<b>-</b>	<b>63,386,255</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	-	-	8,544,890	-	-	8,544,890
Restricted for debt service	4,000,000	-	32	-	-	4,000,032
Restricted for capital projects	-	46,648	12,174,317	-	-	12,220,965
Restricted for loan commitments and minority lending	1,486,550	-	-	-	-	1,486,550
Unrestricted (deficit)	(48,636,439)	162,630	(8,137,742)	105,437	4,456	(56,501,658)
<b>Total net assets (deficit)</b>	<b>\$ (43,149,889)</b>	<b>\$ 209,278</b>	<b>\$ 12,581,497</b>	<b>\$ 105,437</b>	<b>\$ 4,456</b>	<b>\$ (30,249,221)</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Activities**  
**Component Units**  
**For the Year Ended June 30, 2007**

	<b>Battle Creek Downtown Development Authority</b>	<b>Lakeview Downtown Development Authority</b>	<b>Battle Creek Tax Increment Financing Authority</b>	<b>Brownfield Redevelopment Authority</b>	<b>Local Development Finance Authority</b>	<b>Total</b>
<b>Expenses</b>						
Community development	\$ 6,056,310	\$ 2,094,334	\$ 6,044,779	\$ 1,750	\$ 1,500	\$ 14,198,673
<b>Program revenues</b>						
Charges for services	70,061	-	36,219	-	-	106,280
Net program expense	5,986,249	2,094,334	6,008,560	1,750	1,500	14,092,393
<b>General revenues</b>						
Property taxes	4,166,620	2,009,391	9,706,604	73,923	187	15,956,725
Unrestricted investment earnings	345,663	82,203	696,074	2,536	291	1,126,767
Total general revenues	4,512,283	2,091,594	10,402,678	76,459	478	17,083,492
Change in net assets	(1,473,966)	(2,740)	4,394,118	74,709	(1,022)	2,991,099
Net assets (deficit), beginning of year	(41,675,923)	212,018	8,187,379	30,728	5,478	(33,240,320)
<b>Net assets (deficit), end of year</b>	<u><u>\$ (43,149,889)</u></u>	<u><u>\$ 209,278</u></u>	<u><u>\$ 12,581,497</u></u>	<u><u>\$ 105,437</u></u>	<u><u>\$ 4,456</u></u>	<u><u>\$ (30,249,221)</u></u>

The accompanying notes are an integral part of these financial statements.

## NOTES to the FINANCIAL STATEMENTS

# CITY OF BATTLE CREEK, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### INDEX

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<b><u>NOTE</u></b>	<b><u>PAGE</u></b>
<b>1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</b>	
A. Reporting Entity .....	38
B. Basis of Presentation .....	39
C. Measurement Focus / Basis of Accounting.....	40
D. Assets, Liabilities and Equity.....	41
<b>2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY</b>	
A. Budgetary Information .....	44
B. Excess of Expenditures Over Appropriations .....	45
C. Deficit Fund Equity .....	45
<b>3. DETAILED NOTES ON ALL FUNDS</b>	
A. Deposits and Investments – Pooled Cash and Investments .....	45
B. Deposits, Investments and Securities Lending – Pension and Other Employee Benefits Trust Funds .....	48
C. Receivables .....	51
D. Capital Assets.....	52
E. Payables .....	54
F. Interfund Receivables, Payables and Transfers .....	54
G. Long-term Debt.....	55
H. Segment Information – Enterprise Funds .....	62
I. Endowments.....	62
<b>4. OTHER INFORMATION</b>	
A. Risk Management .....	62
B. Property Taxes .....	63
C. Contingent Liabilities .....	64
D. Postemployment Benefits .....	64
E. Defined Benefit Pension Plans.....	65
F. Restatements .....	68

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 1-A. Reporting Entity

The accompanying financial statements present the activities of the City of Battle Creek, Michigan (the “City” or “government”) and its six component units, legally separate organizations for which the City is financially accountable. The activities of the Building Authority are so intertwined with the City that it is, in substance, the same as the City and, therefore, is blended and reported as if it were part of the City. The other five component units are not so intertwined and, therefore, are discretely presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. The component units each have a June 30 year-end.

<b><u>Component Unit</u></b>	<b><u>Included in the Reporting Entity Because</u></b>	<b><u>Separate Financial Statements Available</u></b>
Building Authority (BA); finances and constructs the City’s public buildings	City Commission appoints and may remove BA board	Not prepared
Downtown Development Authority (DDA); corrects and prevents deterioration in the downtown district, encourages historical preservation and promotes economic growth within the district	City Commission appoints and may remove DDA board and approves DDA budget	Finance Department in City Hall
Lakeview Downtown Development Authority (LDDA); promotes development of the Lakeview district	City Commission appoints and may remove LDDA board and approves LDDA budget	Finance Department in City Hall
Tax Increment Financing Authority (TIFA); administers the Fort Custer Industrial Park development district	City Commission appoints and may remove TIFA board and approves TIFA budget	Finance Department in City Hall
Brownfield Redevelopment Authority (BRA); administers brownfield redevelopment projects	City Commission appoints and may remove BRA Board and approves BRA budget	Finance Department in City Hall
Local Development Finance Authority (LDFA); encourages technological development through the City’s “ <i>SmartZone</i> ”	City Commission appoints and may remove LDFA Board and approves LDFA budget	Finance Department in City Hall

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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### 1-B. Basis of Presentation

*Government-wide Financial Statements.* The statements of net assets and activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the City's *governmental* and *business-type activities*. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements.* The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental*, *proprietary* and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

*General fund.* This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Community development fund.* This fund accounts for grants under the Housing and Community Development Act of 1974, as amended. The Act provides for a series of grants over a period of years to be used for various community development activities.

The City reports the following major enterprise funds:

*Water and wastewater system fund.* This fund accounts for the activities of the City's water distribution, water treatment, sewage disposal and sewage treatment systems.

*Economic development fund.* This fund accounts for the activities of the City's economic development revolving loan program.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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Additionally, the City reports the following fund types:

*Special revenue funds.* These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

*Debt service funds.* These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

*Capital projects funds.* These funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

*Permanent funds.* These funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

*Enterprise funds.* These funds account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

*Internal service funds.* These funds account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. This includes machinery, equipment and building space management services; liability, auto, and workers' compensation self-insurance; information technology services; and printing, mailing and reproduction services.

*Pension trust fund.* This fund accounts for the activities of the Police and Fire Retirement System, which accumulates resources for retirement benefit payments to qualified employees.

*Agency funds.* These funds account for assets held for other governments in an agency capacity.

### 1-C. Measurement Focus / Basis of Accounting

*Government-wide, Proprietary and Fiduciary Fund Financial Statements.* The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.



# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end, except for income tax revenue for which a 15-day collection period is used. Property taxes, franchise taxes, licenses and interest are considered to be susceptible to accrual.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues, subject to satisfying any grant program matching provisions.

All governmental and business-type activities and enterprise funds of the City follow private-sector standards of accounting and financial reported issued prior to December 1, 1989, unless those standards conflict with guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

### **1-D. Assets, Liabilities and Equity**

#### **Deposits and Investments**

The City maintains a cash and investment pool for all City monies. Each fund's portion of the cash and investment pool is displayed on the statement of net assets/balance sheet as "pooled cash and investments." The cash resources of the pension and other employee benefits trust funds are invested separately. The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments. The State's Pension Investment Act, as amended, authorizes the pension trust fund to invest in common stocks, real estate, and various other investment instruments, subject to certain limitations.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have established market values are reported at estimated fair value. Cash deposits are reported at carrying amounts, which reasonably approximates fair value.

Unrealized appreciation or depreciation on pension trust fund investments due to changes in fair value are recognized each year.

### **Receivables and Payables**

All trade and delinquent property tax receivables are shown net of an allowance for uncollectibles, as applicable.

Certain loans receivable in governmental funds consist of rehabilitation and redevelopment loans that are generally not expected or scheduled to be collected in the subsequent year.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either *interfund receivables/payables* (i.e., the current portion of interfund loans) or *advances to/from other funds* (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as *internal balances*.

### **Inventories, Prepaid Items and Other Assets**

All inventories are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### **Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	5-50
Buildings and building improvements	50
Public domain infrastructure	50
Water and wastewater system infrastructure	25-50
Vehicles	7-10
Office equipment	6-10
Machinery and equipment	3-10

### Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and compensatory time benefits, subject to certain limitations. Certain bargaining unit employees are also permitted to accumulate earned but unused sick leave. All vacation and compensatory time pay and 50 percent of sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

### Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Fund balance designations represent tentative management plans that are subject to change.

## **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **2-A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at year end, except for those approved by the City Commission for carry forward. The legal level of budgetary control is the fund level.

The City Commission requires the City Manager to submit an estimate of revenues and anticipated expenditures for the succeeding fiscal year in June. The City Manager is then authorized to assign and transfer budget amounts within each fund to the extent that the net total fund appropriation (which the City defines as gross authorized expenditures less related revenues that are specifically designated to fund those activities) is not exceeded. City Commission approval is required for any budgetary changes that result in an increase to net appropriations.

Formal budgetary integration is employed as a management control during the year. Supplemental appropriations were approved by the City Commission in the form of budget amendment resolutions or as part of special authorizing motions for grants, bonds or notes, the total of which was not significant in relation to the original budget appropriation valuations.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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### 2-B. Excess of Expenditures Over Appropriations

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the City were adopted on a fund level basis, although budget and actual information in the fund financial statements have been presented at a level of detail greater than the level of legal budgetary control.

During the year ended June 30, 2007, the City incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control in the following funds as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Over Budget</u>
<b>Local street fund</b>			
Highways and streets	\$ 2,773,111	\$ 2,779,644	\$ 6,533
<b>Narcotics forfeiture fund</b>			
General government	174,591	193,135	18,544
<b>Kellogg arena fund</b>			
Parks and recreation	1,627,549	1,714,404	86,855

### 2-C. Deficit Fund Equity

The Binder Park golf course enterprise fund has an accumulated net asset deficit of \$23,408 at year end. A multi-year plan to eliminate the deficit has been developed by the City and approved by the State of Michigan.

## NOTE 3 – DETAILED NOTES ON ALL FUNDS

### 3-A. Deposits and Investments – Pooled Cash and Investments

Following is a reconciliation of deposit and investment balances, including both pooled cash and investments as well as pension and other employee benefits trust fund balances (see Note 3-B) as of June 30, 2007:

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

	<b>Primary Governments</b>	<b>Component Units</b>	<b>Total</b>
<b>Statement of Net Assets:</b>			
Pooled cash and investments	\$ 48,398,424	\$ 18,534,221	\$ 66,932,645
<b>Statement of Fiduciary Net Assets:</b>			
Pooled cash and investments	62,784	-	62,784
Cash and cash equivalents:			
Pension	4,290,282	-	4,290,282
Other employee benefits	75,565	-	75,565
Investments - pension	107,652,744	-	107,652,744
	<b><u>\$ 160,479,799</u></b>	<b><u>\$ 18,534,221</u></b>	<b><u>\$ 179,014,020</u></b>
<b>Deposits and Investments:</b>			
Bank deposits (checking accounts, savings accounts and CDs)			\$ 7,464,555
Investments in securities, mutual funds and similar vehicles:			
Pool			59,512,200
Pension			111,943,026
Other employee benefits			75,565
Cash on hand			18,674
<b>Total</b>			<b><u>\$ 179,014,020</u></b>

*Custodial Credit Risk - Deposits.* For deposits, custodial credit risk is the risk, that in the event of a bank failure, the City's deposits may not be returned to the government. As of June 30, 2007, \$8,540,690 of the City's total bank balance of \$7,940,690 (total book balance was \$7,464,555) was exposed to custodial credit risk as it was uninsured and uncollateralized.

The City's investment policy does not specifically address this risk, although the City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

*Custodial Credit Risk - Investments.* Following is a summary of the City's investments as of June 30, 2007:

U.S. treasuries	\$ 6,198,675
U.S. agencies	42,833,853
Money market	<u>10,479,672</u>
<b>Total</b>	<b><u>\$ 59,512,200</u></b>

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery *vs.* payment. As of June 30, 2007, none of the City's investments, excluding the money market accounts which are not subject to custodial credit risk, were exposed to risk since the securities are held in the City's name by the counterparty.

*Credit Risk.* As of June 30, 2007, all of the City's investments in securities of U.S. agencies were rated AAA by Standard & Poor's. The City also held investments in U.S. treasuries and money market mutual funds, which are not rated. All of the City's investments comply with its policy regarding the types of investments it may hold.

*Concentration of Credit Risk.* At June 30, 2007, the investment portfolio of U.S. agencies was concentrated as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>% of Portfolio</u>
U.S. agencies	Federal Home Loan Bank	39.5%
	Federal Home Loan Mortgage Corporation	31.1%
	Federal National Mortgage Association	15.1%
	Federal Farm Credit Bank	11.6%

The City's investment policy does not address this risk.

*Interest Rate Risk.* As of June 30, 2007, maturities of the City's debt securities were as follows:

	<u>Fair Value</u>	<u>Investment Maturities (fair value by years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
U.S. treasuries	\$ 6,198,675	\$ 3,789,902	\$ 2,408,773	\$ -	\$ -
U.S. agencies	42,833,853	12,679,483	23,275,615	6,387,505	491,250
<b>Total debt securities</b>	<b>\$ 49,032,528</b>	<b>\$ 16,469,385</b>	<b>\$ 25,684,388</b>	<b>\$ 6,387,505</b>	<b>\$ 491,250</b>

Of the above balances, \$4,637,078 of U.S. agencies securities were callable.

The System's investment policy does not address interest rate risk.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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### 3-B. Deposits, Investments and Securities Lending – Pension and Other Employee Benefits Trust Funds

The deposits and investments of the Police and Fire Retirement System Trust Fund (the “System”) and of the other employee benefits trust funds are maintained separately from the City’s pooled cash and investments, and are subject to separate investment policies and state statutes. Accordingly, the required disclosures for these deposits and investments are presented separately.

**Deposits** - The System and the other employee benefits trust funds do not maintain any checking or other demand/time deposit accounts. Amounts reported as cash and cash equivalents in the statement of plan net assets are composed entirely of short-term investments in money market accounts.

**Investments** - The Michigan Public Employees Retirement Systems’ Investment Act, Public Act 314 of 1965, as amended, authorizes the System to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The Retirement Board has the responsibility and authority to oversee the investment portfolio. Various professional investment managers are contracted to assist in managing the System’s assets. All investment decisions are subject to Michigan law and the investment policy established by the Retirement Board.

The System’s investments are held in a bank-administered trust fund. Following is a summary of the System’s investments as of June 30, 2007:

Investments at fair value, as determined	
by quoted market price:	
U.S. treasuries	\$ 8,973,993
U.S. agencies:	
Not on securities loan	7,840,781
On securities loan	7,487,173
Domestic corporate securities:	
Not on securities loan	13,420,278
On securities loan	96,951
Domestic equities:	
Not on securities loan	33,517,099
On securities loan	16,105,523
American depository receipts	16,987,608
International equities	<u>3,223,338</u>
<b>Total investments</b>	<b><u>\$107,652,744</u></b>

In addition to the above, the System and the other employee benefits trust funds had short-term investments of \$4,290,282 and \$75,565, respectively as of June 30, 2007 held entirely in money market funds.



# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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*Credit Risk.* The System's investment policy provides that its investments in fixed income securities be limited to those rated BBB or better by a nationally recognized statistical rating organization. As of June 30, 2007, the System's investments in securities of U.S. agencies were all rated AAA by Standard & Poor's. The System's investments in corporate securities were rated by Standard & Poor's as follows:

A	\$ 5,936,020
AA	3,549,059
AAA	1,905,928
BBB	<u>2,126,222</u>
	<u><u>\$ 13,517,229</u></u>

*Custodial Credit Risk.* For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System's investment policy requires that investment securities be held in trust by a third-party institution in the System's name. As such, although uninsured and unregistered, the System's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the System's name.

Short-term investments in money market funds are not subject to custodial credit risk.

*Concentration of Credit Risk.* At June 30, 2007, the investment portfolio was concentrated as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>% of Portfolio</u>
U.S. agencies	Federal National Mortgage Association	59.8%
	Federal Home Loan Mortgage Corporation	23.2%
	Federal Home Loan Bank	16.2%

The System's investment policy requires that the securities of any one company or government agency should not exceed 10% of the total fund and no more than 25% of the total fund should be invested in any one industry.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

*Interest Rate Risk.* As of June 30, 2007, maturities of the System's debt securities were as follows:

	Fair Value	Investment Maturities (fair value by years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. treasuries	\$ 8,973,993	\$ -	\$ 4,950,181	\$ 2,776,233	\$ 1,247,579
U.S. agencies	15,327,954	1,495,192	2,484,370	1,011,924	10,336,468
Domestic corporate securities	13,517,229	1,147,233	9,001,287	2,131,802	1,236,907
<b>Total debt securities</b>	<b>\$ 37,819,176</b>	<b>\$ 2,642,425</b>	<b>\$ 16,435,838</b>	<b>\$ 5,919,959</b>	<b>\$ 12,820,954</b>

Of the above balances, \$301,689 of U.S. agencies securities were callable.

The System's investment policy provides that the maximum maturity for any single fixed income security is ten years and that the weighted average portfolio maturity may not exceed eight years.

*Securities Lending.* A contract approved by the System's Board, permits the System to lend its securities to broker-dealers and banks (borrowers) for collateral that will be returned for the same securities in the future. The System's custodial bank manages the securities lending program and receives cash as collateral. The collateral securities cannot be pledged or sold by the System unless the borrower defaults. Collateral cash is initially pledged at 100 percent of the fair value of the securities lent, and may not fall below 100 percent during the term of the loan. There are no restrictions on the amount of securities that can be loaned. Securities on loan at year-end are classified in the preceding schedule of investments according to the category for the collateral received on the securities lent. At year-end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. The contract with the System's custodian requires it to indemnify the System if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities' issuers while the securities are on loan.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

### 3-C. Receivables

Receivables in the governmental activities are 51.6 percent loans, 36.7 percent accounts receivables, 8.2 percent grants receivable, 2.6 percent accrued interest, and 0.9 percent special assessments. Business-type activities receivables are 70.1 percent due from customers, 17.6 percent grants, 4.6 percent special assessments, 4.6 percent loans, and 3.1 percent accrued interest.

General fund accounts receivable are reported net of an allowance for uncollectible accounts of \$148,889.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds and activities were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Land contract payments not yet due (general fund)	\$ 6,795,935	\$ -	\$ 6,795,935
Community development loans not yet due (special revenue funds)	2,875,375	-	2,875,375
Other loans not yet due (general fund)	9,000	-	9,000
Special assessments not yet due (special revenue and permanent funds)	178,424	-	178,424
Customer deposits for future services/events (special revenue funds)	-	12,100	12,100
Payments received in advance	-	595,907	595,907
Grant drawdowns prior to meeting all eligibility requirements	-	202,648	202,648
	<u>\$ 9,858,734</u>	<u>\$ 810,655</u>	<u>\$ 10,669,389</u>

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

### 3-D. Capital Assets

Capital assets activity for the year ended June 30, 2007, was as follows:

#### Primary government

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets, not being depreciated - Land	\$ 371,094	\$ -	\$ -	\$ 371,094
Capital assets, being depreciated:				
Land improvements	7,380,020	462,497	-	7,842,517
Buildings	49,851,461	17,556	-	49,869,017
Vehicles	7,603,475	679,149	(274,484)	8,008,140
Equipment	22,706,626	3,249,938	(886,696)	25,069,868
Infrastructure	252,120,312	4,304,448	-	256,424,760
Total capital assets being depreciated	339,661,894	8,713,588	(1,161,180)	347,214,302
Less accumulated depreciation for:				
Land improvements	(2,390,609)	(161,164)	-	(2,551,773)
Buildings	(16,620,864)	(993,990)	-	(17,614,854)
Vehicles	(4,726,112)	(708,548)	274,484	(5,160,176)
Equipment	(17,755,193)	(903,679)	886,696	(17,772,176)
Infrastructure	(64,535,977)	(5,128,495)	-	(69,664,472)
Total accumulated depreciation	(106,028,755)	(7,895,876)	1,161,180	(112,763,451)
Total capital assets, being depreciated, net	233,633,139	817,712	-	234,450,851
<b>Governmental activities capital assets, net</b>	<b>\$ 234,004,233</b>	<b>\$ 817,712</b>	<b>\$ -</b>	<b>\$ 234,821,945</b>
<b>Business-type activities</b>				
Capital assets, not being depreciated - Land	\$ 3,703,302	\$ 77,250	\$ -	\$ 3,780,552
Capital assets, being depreciated:				
Land improvements	6,965,336	275,008	-	7,240,344
Buildings	63,982,685	95,699	(6,354)	64,072,030
Vehicles	4,720,424	1,087,893	(844,041)	4,964,276
Equipment	16,637,466	54,210	(991,286)	15,700,390
Systems	159,496,507	3,995,773	-	163,492,280
Total capital assets being depreciated	251,802,418	5,508,583	(1,841,681)	255,469,320
Less accumulated depreciation for:				
Land improvements	(3,761,795)	(218,583)	-	(3,980,378)
Buildings	(37,294,227)	(1,673,489)	6,354	(38,961,362)
Vehicles	(3,992,338)	(247,824)	844,041	(3,396,121)
Equipment	(11,032,792)	(719,464)	991,286	(10,760,970)
Systems	(74,181,177)	(5,083,187)	-	(79,264,364)
Total accumulated depreciation	(130,262,329)	(7,942,547)	1,841,681	(136,363,195)
Total capital assets, being depreciated, net	121,540,089	(2,433,964)	-	119,106,125
<b>Business-type activities capital assets, net</b>	<b>\$ 125,243,391</b>	<b>\$ (2,356,714)</b>	<b>\$ -</b>	<b>\$ 122,886,677</b>

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 71,941
Public safety	726,084
Public works, including depreciation of general infrastructure assets	5,427,665
Parks and recreation	877,550
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>792,636</u>
<b>Total depreciation expense - governmental activities</b>	<b><u>\$ 7,895,876</u></b>
Business-type activities:	
Wastewater	\$ 4,658,766
Water	1,749,235
Public transit	318,165
Airport	718,045
Golf course	109,771
Parking	350,021
Other	<u>38,544</u>
<b>Total depreciation expense - business-type activities</b>	<b><u>\$ 7,942,547</u></b>

### Discretely presented component units

Activity for the TIFA for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated - Land	\$ 11,679,397	\$ -	\$ -	\$ 11,679,397
Capital assets, being depreciated:				
Land improvements	587,500	-	-	587,500
Buildings	278,190	-	-	278,190
Equipment	302,712	-	-	302,712
Total capital assets being depreciated	<u>1,168,402</u>	<u>-</u>	<u>-</u>	<u>1,168,402</u>
Less accumulated depreciation for:				
Land improvements	(141,000)	(11,750)	-	(152,750)
Buildings	(133,534)	(11,128)	-	(144,662)
Equipment	(302,712)	-	-	(302,712)
Total accumulated depreciation	<u>(577,246)</u>	<u>(22,878)</u>	<u>-</u>	<u>(600,124)</u>
Total capital assets, being depreciated, net	<u>591,156</u>	<u>(22,878)</u>	<u>-</u>	<u>568,278</u>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 12,270,553</u></b>	<b><u>\$ (22,878)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 12,247,675</u></b>

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

### 3-E. Payables

Payables in the governmental activities are 40.4 percent vendors, 38.2 percent claims and 21.4 percent accrued payroll, interest, compensated absences and other liabilities. Business-type activities payables are 25.1 percent accrued payroll and compensated absences and 74.9 percent vendors.

### 3-F. Interfund Receivables, Payables and Transfers

At June 30, 2007, the following interfund balances were payable to the General Fund:

Community development fund	\$ 197,099
Nonmajor governmental funds	260,261
Nonmajor enterprise funds	2,424,440
	<u>\$ 2,881,800</u>

The above balances generally resulted from a time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Also, certain amounts are reported as internal balances in the statement of net assets relative to the elimination of Internal Service Funds.

For the year ended June 30, 2007, interfund transfers consisted of the following:

<u>Transfer out:</u>	<u>Transfer in:</u>					<u>Total</u>
	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Water and Wastewater Funds</u>	<u>Nonmajor Enterprise Funds</u>	<u>Internal Service Funds</u>	
General fund	\$ -	\$ 5,109,832	\$ -	\$ 1,019,343	\$ 144,749	\$ 6,273,924
Community development fund	-	-	-	-	2,250	2,250
Nonmajor governmental funds	70,307	2,399,166	-	9,036	4,080	2,482,589
Water and wastewater fund	-	-	237,400	-	281,588	518,988
Nonmajor enterprise funds	-	-	3,060	254,303	21,731	279,094
Internal service funds	-	956,120	-	261,682	9,920	1,227,722
	<u>\$ 70,307</u>	<u>\$ 8,465,118</u>	<u>\$ 240,460</u>	<u>\$ 1,544,364</u>	<u>\$ 464,318</u>	<u>\$ 10,784,567</u>

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

### 3-G. Long-term Debt

*General obligation bonds.* The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years for the items listed below was \$37,494,000 for the primary government and \$3,940,000 for the discretely presented component units. During the year no new bonds were issued.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Governmental activities</b>		
1997 building authority refunding	4.95% - 5.13%	\$ 9,275,000
2002 building authority limited tax	4.50% - 4.75%	8,190,000
2003 transportation fund bonds	2.00% - 3.25%	1,915,000
2006 dispatch equipment	3.64%	<u>3,480,000</u>
		<b><u>\$22,860,000</u></b>
<b>Business-type activities</b>		
1998 building authority - golf course	4.20% - 4.50%	\$ 2,735,000
1999 building authority refunding - airport	4.25% - 4.70%	<u>1,125,000</u>
		<b><u>\$ 3,860,000</u></b>
<b>Discretely presented component units</b>		
2004 downtown development	5.00%	<b><u>\$ 1,920,000</u></b>

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 1,930,000	\$ 1,023,099	\$ 350,000	\$ 171,070	\$ 345,000	\$ 87,010
2009	2,015,000	940,992	360,000	156,165	365,000	69,443
2010	2,105,000	854,748	385,000	140,625	385,000	50,875
2011	2,210,000	762,221	400,000	123,780	400,000	31,250
2012	2,320,000	663,155	420,000	106,040	425,000	10,625
2013-2017	8,085,000	1,952,443	985,000	352,150	-	-
2018-2022	4,195,000	630,594	960,000	110,250	-	-
2023	-	-	-	-	-	-
	<u><u>\$ 22,860,000</u></u>	<u><u>\$ 6,827,252</u></u>	<u><u>\$ 3,860,000</u></u>	<u><u>\$ 1,160,080</u></u>	<u><u>\$ 1,920,000</u></u>	<u><u>\$ 249,203</u></u>

*Revenue bonds.* The City and its discretely presented component units also issue bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. The original amount of revenue bonds issued in prior years for the items listed below was \$23,940,000 for the primary government and \$64,305,000 for the component units. During the year, no new revenue bonds were issued. Revenue bonds outstanding at year-end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Business-type activities</b>		
2001 water and wastewater system	4.00% - 4.63%	\$ 8,445,000
2003 water and wastewater refunding	2.00% - 5.00%	10,045,000
2004 water supply system refunding	2.00% - 3.50%	<u>2,160,000</u>
		<u><b>\$ 20,650,000</b></u>
<b>Discretely presented component units</b>		
1997 development refunding	4.90% - 5.25%	\$ 6,650,000
2004 development taxable adjustable rate refunding	Variable	<u>53,790,000</u>
		<u><b>\$ 60,440,000</b></u>



# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

Revenue bond debt service requirements to maturity are as follows:

	<u>Business-type Activities</u>		<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 1,425,000	\$ 865,498	\$ 54,485,000	\$ 2,775,661
2009	1,465,000	818,550	730,000	302,040
2010	1,520,000	767,082	740,000	265,540
2011	1,575,000	708,994	775,000	227,800
2012	1,655,000	643,456	800,000	187,500
2013-2017	9,570,000	1,985,794	2,910,000	341,250
2018-2021	3,440,000	409,021	-	-
	<u><u>\$ 20,650,000</u></u>	<u><u>\$ 6,198,395</u></u>	<u><u>\$ 60,440,000</u></u>	<u><u>\$ 4,099,791</u></u>

*Installment Obligations.* The government has entered into various long-term installment payment agreements. The original amount of installment obligations issued in prior years for the items listed below was \$1,290,000 for the primary government and \$8,690,000 for the discretely presented component unit. During the year the City entered into an installment obligation for \$3,708,005 to purchase and install energy savings equipment in City Hall.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Governmental activities</b>		
1998 fire fighting equipment contract	3.65%	\$ 235,000
2007 energy savings equipment contract	4.66%	<u>3,708,005</u>
		<u><b>\$3,943,005</b></u>
<b>Discretely presented component unit</b>		
1992 land contract	9.00%	<u><b>\$3,702,785</b></u>

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

Annual debt service requirements to maturity for installment obligations are as follows:

	<u>Governmental Activities</u>		<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 174,288	\$ 126,008	\$ 618,708	\$ 333,251
2009	301,020	173,526	674,392	277,567
2010	189,554	159,412	735,088	216,872
2011	198,490	150,476	801,245	150,714
2012	207,847	141,118	873,352	78,602
2013-2017	1,195,786	549,042	-	-
2018-2022	1,505,510	239,319	-	-
2023	170,510	2,649	-	-
	<u><u>\$ 3,943,005</u></u>	<u><u>\$ 1,541,550</u></u>	<u><u>\$ 3,702,785</u></u>	<u><u>\$ 1,057,006</u></u>

*Capital Lease.* The government entered into various lease agreements for airport snow removal equipment. The original amount of capital leases issued in prior years for the items listed below was \$1,296,024 for the business-type activities. During the year the City entered into a capital lease for \$35,401 to purchase new computers.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Governmental activities</b>		
2007 computers	7.09%	<u><u>\$ 33,350</u></u>
<b>Business-type activities</b>		
2003 chassis/runway broom	4.35%	\$ 174,841
2004 snow blower	4.38%	231,276
2005 plow	5.00%	266,148
2006 runway snowplow	5.22%	302,279
		<u><u>\$ 974,544</u></u>

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

Annual debt service requirements to maturity for the capital leases are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 7,708	\$ 2,118	\$ 121,874	\$ 46,172
2009	8,272	1,554	127,602	40,444
2010	8,879	947	133,599	34,447
2011	8,491	294	139,879	28,167
2012	-	-	146,455	21,591
2013-2016	-	-	305,135	31,583
	<u><u>\$ 33,350</u></u>	<u><u>\$ 4,913</u></u>	<u><u>\$ 974,544</u></u>	<u><u>\$ 202,404</u></u>

*Loans Payable.* The TIFA (a discretely presented component unit) has borrowed from the Michigan Economic Development Corporation (MEDC) to fund certain economic development activities in the Fort Custer Industrial Park. The original amount of these loans was \$1,689,670.

Loans outstanding at year-end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Discretely presented component unit</b>		
Core communities loan	6.00%	\$ 756,049
Aviation and eLearning SmartZone	5.00%	<u>153,983</u>
		<u><u>\$ 910,032</u></u>

Annual debt service requirements to maturity for the MEDC loans are as follows:

	<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 214,964	\$ 51,707
2009	64,723	40,266
2010	68,694	36,294
2011	72,909	32,079
2012	77,383	27,605
2013-2017	<u>411,359</u>	<u>61,089</u>
	<u><u>\$ 910,032</u></u>	<u><u>\$ 249,040</u></u>

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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*Interest Rate Swap.* During the year ended June 30, 2005, the City and DDA entered into a forward starting interest rate swap agreement (the “Swap”) to modify interest rates on future outstanding debt. Beginning May 1, 2008, the Swap will be used to hedge \$55,265,000 of the Downtown Development Taxable Adjustable Rate Refunding Bonds, Series 2004. The stated maturity date of the Swap is May 1, 2022. Under the terms of the Swap, the City/DDA will owe interest calculated at a fixed rate of 4.598% to the counterparty to the agreement, Goldman Sachs. In return, the counterparty will owe the City/DDA interest based on a variable rate equal to the Bond Market Association (BMA) index rate. Only the net difference in interest amounts will actually be exchanged between the parties. The City/DDA will continue to pay interest to the bondholders at the variable rate provided by the Bonds and, during the term of the Swap, will pay the difference between the fixed rate on the Swap and the BMA index rate. To further hedge its position, the City/DDA purchased an interest rate cap and floor instrument from Merrill Lynch Capital Services to protect against significant fluctuations in market interest rates. With the issuances of forward delivery bonds, as described below, the Swap will be terminated prior to its actually taking effect.

*Forward Delivery Bonds.* The City/DDA expects to issue and deliver \$53,285,000 of Downtown Development Refunding Bonds, Series 2008 Limited Tax General Obligation (the “Series 2008 Bonds”) on or about February 13, 2008. The City/DDA anticipates that the Series 2008 Bonds will bear interest from their date of delivery and be payable beginning on November 1, 2008 and semiannually thereafter each May 1 and November 1. A portion of the proceeds of the Series 2008 Bonds will be deposited into a redemption account held by the escrow account to legally defease the Downtown Development Taxable Adjustable Rate Refunding Bonds, Series 2004. Issuance and delivery of the Series 2008 Bonds will be dependent upon the receipt of the opinion of Bond Counsel and certain other documents required by the Forward Delivery Bond Purchase Agreement dated August 9, 2007 (the “Purchase Agreement”). In addition, satisfaction of certain other conditions is required, including issuance by Ambac Assurance Corporation of the bond insurance policy with respect to the Series 2008 Bonds and payment of the purchase price by the underwriters of the Series 2008 Bonds in accordance with the Purchase Agreement. It is also expected that a portion of the proceeds of the Series 2008 Bonds will be used to for the payment of fees to terminate the aforementioned Swap.

The City/DDA assumes various risks associated with the Series 2008 Bonds. For instance, the Bond Counsel could be prevented from rendering its opinions with respect to the Series 2008 Bonds as a result of changes or proposed changes in federal or state laws; court decisions; regulations, proposed regulations or rulings of administrative agencies; litigation which may be threatened or filed affecting the issuance of security for the bonds; or the failure of the City/DDA to provide satisfactory closing documents. No assurance can be given that, on the issuance date of the Series 2008 Bonds, the rating assigned to the Series 2008 Bonds will be the same as the ratings currently assigned to the Series 2008 Bonds. The underwriters may terminate their obligations under the Purchase Agreement, without any liability, if at any time prior to the issuance date of the Series 2008 bonds any of a number of events occur which materially and adversely affect the market price or marketability of the Series 2008 Bonds or the ability of the underwriters to enforce contracts for sale of the Series 2008 Bonds.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

*Changes in Long-Term Debt.* Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government</b>					
<b>Governmental activities</b>					
General obligation bonds	\$ 24,729,000	\$ -	\$ (1,869,000)	\$ 22,860,000	\$ 1,930,000
Installment contracts	380,000	3,708,005	(145,000)	3,943,005	174,288
Capital leases	-	35,401	(2,051)	33,350	7,708
Loans payable	900,000	-	(900,000)	-	-
Compensated absences	3,554,256	2,755,658	(2,543,131)	3,766,783	315,046
Add (deduct) deferred amounts:					
For issuance costs	(198,758)	-	15,376	(183,382)	-
For issuance premiums	35,024	-	(5,003)	30,021	-
	<b>\$ 29,399,522</b>	<b>\$ 6,499,064</b>	<b>\$ (5,448,809)</b>	<b>\$ 30,449,777</b>	<b>\$ 2,427,042</b>
<b>Business-type activities</b>					
General obligation bonds	\$ 4,195,000	\$ -	\$ (335,000)	\$ 3,860,000	\$ 350,000
Revenue bonds	21,885,000	-	(1,235,000)	20,650,000	1,425,000
Capital leases	1,090,948	-	(116,404)	974,544	121,874
Add (deduct) deferred amounts:					
For issuance costs	(195,484)	-	26,089	(169,395)	-
For issuance discounts	(375,760)	-	60,547	(315,213)	-
For issuance premiums	550,006	-	(58,889)	491,117	-
On refunding	(779,755)	-	86,401	(693,354)	-
	<b>\$ 26,369,955</b>	<b>\$ -</b>	<b>\$ (1,572,256)</b>	<b>\$ 24,797,699</b>	<b>\$ 1,896,874</b>
<b>Component Units</b>					
<b>DDA</b>					
Revenue bonds	\$ 53,790,000	\$ -	\$ -	\$ 53,790,000	\$ 53,790,000
Add (deduct) deferred amounts:					
For issuance costs	(1,187,606)	-	84,829	(1,102,777)	(1,102,777)
On refunding	(3,598,644)	-	257,046	(3,341,598)	(3,341,598)
	<b>\$ 49,003,750</b>	<b>\$ -</b>	<b>\$ 341,875</b>	<b>\$ 49,345,625</b>	<b>\$ 49,345,625</b>
<b>TIFA</b>					
General obligation bonds	\$ 2,250,000	\$ -	\$ (330,000)	\$ 1,920,000	\$ 345,000
Revenue bonds	7,325,000	-	(675,000)	6,650,000	695,000
Land contracts	4,270,407	-	(567,622)	3,702,785	618,708
Loans payable	1,114,138	-	(204,106)	910,032	214,964
	<b>\$ 14,959,545</b>	<b>\$ -</b>	<b>\$ (1,776,728)</b>	<b>\$ 13,182,817</b>	<b>\$ 1,873,672</b>

For the governmental activities, compensated absences are generally liquidated by the general fund.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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### 3-H. Segment Information – Enterprise Funds

The government issued revenue bonds to finance certain improvements to its water and wastewater system. Because the Water and Wastewater Fund, an individual fund that accounts entirely for the government's water and wastewater activities, is a segment and is reported as a major fund in the fund financial statements, segment disclosures herein are not required.

### 3-I. Endowments

**Youth Center Endowment Permanent Trust Fund.** For the year ended June 30, 2007, the net appreciation on investments of donor-restricted endowments was \$98,397. Under the terms of the endowment, and consistent with State statutes, the City is authorized based on a total-return policy to spend the net appreciation for the benefit of the youth center. At year-end, accumulated available net appreciation of \$267,531 is reported in unrestricted net assets; the non-expendable endowment balance is \$1,500,000.

**Kellogg Arena Endowment Permanent Trust Fund.** For the year ended June 30, 2007, the net appreciation on investments of donor-restricted endowments was \$35,446. Under the terms of the endowment, and consistent with State statutes, the City is authorized based on a total-return policy to spend the net appreciation for the benefit of the Kellogg Arena. At year-end, accumulated available net appreciation of \$49,954 is reported in unrestricted net assets; the non-expendable endowment balance is \$623,533.

## NOTE 4 – OTHER INFORMATION

### 4-A. Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries, as well as medical, dental and death benefits provided to employees. The City has purchased commercial insurance for employee dental and life coverages, certain property and inland marine exposures, airport liability, liquor liability, and emergency medical treatment. The City's workers' compensation exposure is handled on a self-funded basis using a third-party administrator, with excess insurance for claims greater than a self-insured retention (SIR) of \$650,000 per occurrence. As of July 1, 1986, the City's general and related liability insurance was allowed to expire; any occurrences prior to that date may be covered by liability policies previously in effect. The City now self-administers general liability and related exposures, utilizing excess liability insurance for losses greater than a SIR of \$1 million per occurrence and \$2.5 million in the aggregate, annually. The limits of the excess liability insurance have been as follows: \$15 million per occurrence effective September 1, 1999; \$5 million per occurrence effective October 1, 2002; then \$9 million per occurrence effective November 14, 2003.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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Settled claims related to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Effective October 1, 2003, the City converted from a premium-based policy for employee medical coverage to a self-funded plan, with specific stop-loss insurance that limits claim expense to \$50,000 per contract (i.e., employee and dependents), annually. Aggregate stop-loss insurance limits annual losses to 120 percent of expected claims.

The City estimates its self-insured liability for workers' compensation, medical and comprehensive general liability claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are prepared by the City's Risk Management Department and recorded in the Self-Insurance Internal Service Fund. Changes in the estimated liability for the fiscal years ended June 30 were as follows:

	<u>2007</u>	<u>2006</u>
Estimated liability, beginning of year	\$ 4,280,574	\$ 5,085,141
Estimated claims incurred, including changes in estimates	9,363,799	6,867,064
Claim payments	<u>(9,599,998)</u>	<u>(7,671,631)</u>
<b>Estimated liability, end of year</b>	<b><u>\$ 4,044,375</u></b>	<b><u>\$ 4,280,574</u></b>

### 4-B. Property Taxes

The government's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through August 31; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Calhoun County. Assessed values, as established annually by the government and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. The taxable value of real and personal property in the City for the 2006 levy, including industrial facilities and neighborhood enterprise zone properties, but net of renaissance zones, was \$1,506,307,156. The government's general operating tax rate for fiscal 2006-07 was 11.230 mills with an additional 3.246 mills for police and fire pension.

Property taxes for the DDA, LDDA, TIFA and BRA are derived from tax increment financing agreements with the various applicable taxing authorities. Under these arrangements, the tax increment finance entities receive the property taxes levied on the increment of current taxable values over the base year values on those properties located within the established tax increment financing district.

Property taxes are recognized in the fiscal year in which they are levied.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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### **4-C. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

### **4-D. Postemployment Benefits**

The City provides health care benefits to certain full-time employees upon retirement, in accordance with labor agreements and/or the City Administrative Code, or in the case of police and fire personnel according to City Commission resolution. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with contributions required in varying amounts. The City purchases Medicare supplemental insurance for retirees eligible for Medicare.

*Police and Fire.* Prior to fiscal 2007, the obligation for police and fire personnel retiree health care was entirely advance-funded through the Police and Fire Retirement System (the "System"). Beginning in fiscal 2007, following negotiations and arbitration, the System will only be responsible for the health care costs of the then current retirees, which amounted to 204 as of June 30, 2007. Future police and fire retirees will receive their health care benefits through either the Voluntary Employees Beneficiary Association or Fire Retiree Health Care trust fund, which are employee contributory plans (that are presented as other employee benefit trust funds in the accompanying combining financial statements).

During the year ended June 30, 2007, the City contributed \$662,833 to the System for retiree health care and the System paid \$1,049,327 for retiree health care costs. At June 30, 2007, net assets held in trust by the System for police and fire postemployment health care benefits were \$109,203. Employee contributions to the other employee benefit trust funds for the year were \$75,774; no employer contributions were made or required. Actuarial data for any of the three health care benefit plans is not presently available; the City has not elected to early implement GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

*Other City Employees.* For all other eligible City employees, the City contributes a maximum of \$200 per month towards the purchase of retire health care. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due. During the year, 145 retirees were eligible, resulting in expenditures of \$248,116.



# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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### 4-E. Defined Benefit Pension Plans

#### Police and Fire Retirement System

The Police and Fire Retirement System (the “System”) is a single-employer defined benefit pension plan that provides retirement, health, disability and death benefits to all full-time police and fire personnel of the City, subject to the limitations on health care benefits described in Note 4-D. The System is administered by the Retirement Board of the Police and Fire Retirement System. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the System at 10 North Division Street, Battle Creek, MI 49014.

The financial statements of the System are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City’s contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair values. Administrative costs are financed through investment earnings.

Plan members are required to contribute between 7.5% to 10% of their annual covered wages to the System for pension benefits, depending on the bargaining unit. The City is required to contribute such additional amounts as necessary, based on actuarial determinations, to provide assets sufficient to pay for member benefits. The City’s pension contribution to the System for the year ended June 30, 2007 amounted to 21.71% of annual covered payroll, an additional 5.0% of annual covered payroll was contributed by the City for retiree healthcare benefits (*see Note 4-D.*).

Plan benefit provisions were established and may be amended under the authority of City Ordinances. Contribution requirements were established and may be amended subject to collective bargaining agreements and approval by the System Retirement Board and City Commission.

The annual required contribution (ARC) for the year ended June 30, 2007 for pension was \$2,877,942. The ARC was made by the City. There was no net pension obligation at the beginning nor the end of the fiscal year.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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The annual required contribution was determined as part of an actuarial valuation of the System as of June 30, 2005 using the entry age actuarial method. The actuarial assumptions included: (1) a rate of return on investments of 7.0% per year compounded annually; (2) projected salary increases of 4.5% per year compounded annually, attributable to inflation; (3) additional projected salary increases ranging from 0.0% to 4.0% per year, depending on age and service, attributable to seniority/merit; and (4) the assumption that pension benefits will not increase after retirement. The unfunded actuarial accrual liability is being amortized as a level percentage of payroll over a period of 10 years. The actuarial value of assets is determined using techniques that smooth the effects of short-term market volatility over a five-year period. The date of the latest actuarial valuation was June 30, 2006.

### **Three-Year Trend Information** *(pension only)*

<b><u>Years Ended June 30,</u></b>	<b><u>Annual Pension Cost (APC)</u></b>	<b><u>Percentage Contributed</u></b>	<b><u>Net Pension Obligation</u></b>
2005	\$ 1,824,879	100%	\$ -
2006	2,458,298	100	-
2007	2,877,942	100	-

GASB Statement 25 required supplementary information is presented after the notes to the financial statements section of this report.

### **Municipal Employees Retirement System of Michigan**

The City also participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the Retirement Board of MERS. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members and beneficiaries. The MERS Retirement Board establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917, or by calling (800) 767-6377.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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The City is required to contribute at an actuarially determined rate; the current rate is 16.90% of annual covered payroll. City employees are required to contribute 0.0% to 2.76% of their annual covered payroll, depending on the applicable bargaining unit. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City, subject to collective bargaining agreements and depending on the MERS contribution program adopted by the City.

For the year ended June 30, 2007, the City's annual pension cost of \$2,822,291 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2006 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increase of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases of 0.0% to 8.4% per year, depending on age, attributable to seniority/merit.

The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2006, the date of the latest actuarial valuation, was 25 years.

### **Three-Year Trend Information**

<b><u>Annual Years Ended June 30,</u></b>	<b><u>Pension Cost (APC)</u></b>	<b><u>Percentage Contributed</u></b>	<b><u>Net Pension Obligation</u></b>
2005	\$ 2,503,415	100%	\$ -
2006	2,865,291	100	-
2007	2,822,291	100	-

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

### Schedule of Funding Progress

<b>Actuarial Valuation Date</b>	<b>(a) Actuarial Value of Assets</b>	<b>(b) Actuarial Accrued Liability (AAL) Entry Age</b>	<b>(b-a) Unfunded AAL (UAAL)</b>	<b>Funded Ratio Total</b>	<b>(c) Covered Payroll</b>	<b>((b-a)/c) UAAL as a Percentage of Covered Payroll</b>
12/31/04	\$69,677,870	\$92,602,174	\$22,924,304	75%	\$18,588,796	123%
12/31/05	73,555,512	98,161,300	24,605,788	75%	18,925,044	130%
12/31/06	78,530,625	103,019,360	24,488,735	76%	18,983,516	129%

#### **4-F. Restatements**

The beginning net assets of the Water and Wastewater System enterprise fund and the W.K. Kellogg Airport enterprise fund were increased and decreased by \$221,249, respectively, to correct for a prior year error in the capitalization of assets between the two funds.

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## REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BATTLE CREEK, MICHIGAN**  
**Police and Fire Retirement System**  
**Required Supplementary Information**

**Schedule of Funding Progress - Pension Only**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (A)</b>	<b>Actuarial Accrued Liability (AAL) (B)</b>	<b>Over (Under) Funded AAL (OAAL/UAAL) (A-B)</b>	<b>Funded Ratio (A/B)</b>	<b>Covered Payroll (C)</b>	<b>OAAL/UAAL as a % of Covered Payroll</b>
6/30/1997	\$ 72,134,308	\$ 71,456,325	\$ 677,983	100.9%	\$ 10,039,322	6.8%
6/30/1998	79,796,431	74,796,184	5,000,247	106.7%	9,813,441	51.0%
6/30/1999	87,617,793	78,285,848	9,331,945	111.9%	9,749,682	95.7%
6/30/2000	95,548,441	83,980,778	11,567,663	113.8%	11,235,312	103.0%
6/30/2001	101,190,705	87,909,496	13,281,209	115.1%	11,615,098	114.3%
6/30/2002	103,950,731	95,368,883	8,581,848	109.0%	11,907,553	72.1%
6/30/2003	103,655,770	100,346,606	3,309,164	103.3%	11,855,130	27.9%
6/30/2004	103,745,735	104,336,169	(590,434)	99.4%	12,114,360	-4.9%
6/30/2005	102,755,663	110,487,311	(7,731,648)	93.0%	12,085,192	-64.0%
6/30/2006	103,283,413	114,501,359	(11,217,946)	90.2%	12,283,787	-91.3%

**Schedule of Employer Contributions - Pension Only**

<b>Year Ended June 30</b>	<b>Annual Required Contributions</b>	<b>Percentage Contributed</b>
1998	\$ 1,908,106	100%
1999	1,337,217	100%
2000	1,059,179	100%
2001	732,366	100%
2002	622,566	100%
2003	468,005	100%
2004	1,268,053	100%
2005	1,824,879	100%
2006	2,458,298	100%
2007	2,877,942	100%

**COMBINING and INDIVIDUAL FUND FINANCIAL  
STATEMENTS and SCHEDULES**

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2007**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
<b><u>ASSETS</u></b>					
<b>Assets</b>					
Pooled cash and investments	\$ 1,470,853	\$ 1,105,682	\$ 5,441,200	\$ 3,481,343	\$ 11,499,078
Receivables:					
Interest	21,927	10,527	24,763	23,667	80,884
Accounts	1,245,949	-	-	-	1,245,949
Special assessments	-	14,018	-	164,406	178,424
Grants	381,711	875,000	28,651	-	1,285,362
Inventories	16,428	-	-	-	16,428
Prepaid items	29,492	-	-	-	29,492
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b><u>TOTAL ASSETS</u></b>	<u>\$ 3,166,360</u>	<u>\$ 2,005,227</u>	<u>\$ 5,494,614</u>	<u>\$ 3,669,416</u>	<u>\$ 14,335,617</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 60,389	\$ 891,860	\$ -	\$ -	\$ 952,249
Retentions, deposits and other liabilities	267,921	-	132,393	-	400,314
Interfund payable	260,261	-	-	-	260,261
Deferred revenue	214,748	14,018	-	164,406	393,172
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>803,319</u>	<u>905,878</u>	<u>132,393</u>	<u>164,406</u>	<u>2,005,996</u>
<b>Fund balances</b>					
Reserved for inventories	16,428	-	-	-	16,428
Reserved for prepaid items	29,492	-	-	-	29,492
Reserved for encumbrances	242,123	-	-	-	242,123
Reserved for endowment	-	-	-	2,123,533	2,123,533
Unreserved:					
Designated for:					
Future departmental appropriations	-	-	823,556	-	823,556
Subsequent year expenditures	956,071	-	-	-	956,071
Undesignated	1,118,927	1,099,349	4,538,665	1,381,477	8,138,418
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>2,363,041</u>	<u>1,099,349</u>	<u>5,362,221</u>	<u>3,505,010</u>	<u>12,329,621</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<u>\$ 3,166,360</u>	<u>\$ 2,005,227</u>	<u>\$ 5,494,614</u>	<u>\$ 3,669,416</u>	<u>\$ 14,335,617</u>



**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2007**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
<b>Revenues</b>					
Intergovernmental	\$ 6,867,976	\$ -	\$ 480,003	\$ -	\$ 7,347,979
Charges for services	2,238,517	-	-	-	2,238,517
Investment income	132,769	58,978	198,187	133,843	523,777
Other	523,497	2,245,981	1,720	133,546	2,904,744
	<u>9,762,759</u>	<u>2,304,959</u>	<u>679,910</u>	<u>267,389</u>	<u>13,015,017</u>
<b>Expenditures</b>					
Current expenditures:					
General government	1,696,684	-	1,527,813	-	3,224,497
Public safety	415,087	-	-	-	415,087
Highway and streets	6,097,587	-	3,739,895	-	9,837,482
Parks and recreation	1,743,579	-	-	-	1,743,579
Community development	459,476	-	-	-	459,476
Unallocated	-	-	-	251,516	251,516
Debt service:					
Principal	339,000	2,405,000	-	145,000	2,889,000
Interest	132,842	980,783	-	14,128	1,127,753
Capital outlay	-	-	2,807,886	-	2,807,886
	<u>10,884,255</u>	<u>3,385,783</u>	<u>8,075,594</u>	<u>410,644</u>	<u>22,756,276</u>
Revenues under expenditures	<u>(1,121,496)</u>	<u>(1,080,824)</u>	<u>(7,395,684)</u>	<u>(143,255)</u>	<u>(9,741,259)</u>
<b>Other financing sources (uses)</b>					
Loan proceeds	-	-	3,708,005	-	3,708,005
Transfers in	2,294,407	1,127,513	4,818,597	224,601	8,465,118
Transfers out	(1,633,768)	-	(778,821)	(70,000)	(2,482,589)
	<u>660,639</u>	<u>1,127,513</u>	<u>7,747,781</u>	<u>154,601</u>	<u>9,690,534</u>
Net change in fund balances	(460,857)	46,689	352,097	11,346	(50,725)
Fund balances, beginning of year	<u>2,823,898</u>	<u>1,052,660</u>	<u>5,010,124</u>	<u>3,493,664</u>	<u>12,380,346</u>
<b>Fund balances, end of year</b>	<u>\$ 2,363,041</u>	<u>\$ 1,099,349</u>	<u>\$ 5,362,221</u>	<u>\$ 3,505,010</u>	<u>\$ 12,329,621</u>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Balance Sheet - Nonmajor Special Revenue Funds**  
**June 30, 2007**

	<b>Major Street and Trunkline Maintenance</b>	<b>Local Street</b>	<b>Special Grants</b>	<b>HOME Program</b>
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Pooled cash and investments	\$ 392,894	\$ -	\$ 89,134	\$ -
Receivables:				
Interest	7,909	8,514	-	-
Accounts	827,054	165,257	-	-
Grants	-	-	274,827	106,884
Inventories	-	-	-	-
Prepaid items	-	-	2,880	-
	<u>-</u>	<u>-</u>	<u>2,880</u>	<u>-</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 1,227,857</u></b>	<b><u>\$ 173,771</u></b>	<b><u>\$ 366,841</u></b>	<b><u>\$ 106,884</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Retentions, deposits and other liabilities	89	-	20,542	-
Interfund payable	-	153,377	-	106,884
Deferred revenue	-	-	202,648	-
	<u>-</u>	<u>-</u>	<u>202,648</u>	<u>-</u>
Total liabilities	<u>89</u>	<u>153,377</u>	<u>223,190</u>	<u>106,884</u>
<b>Fund balances</b>				
Reserved for inventories	-	-	-	-
Reserved for prepaid items	-	-	2,880	-
Reserved for encumbrances	80,958	20,394	140,771	-
Unreserved:				
Designated for subsequent year expenditures	685,044	-	-	-
Undesignated	461,766	-	-	-
	<u>1,227,768</u>	<u>20,394</u>	<u>143,651</u>	<u>-</u>
Total fund balances	<u>1,227,768</u>	<u>20,394</u>	<u>143,651</u>	<u>-</u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 1,227,857</u></b>	<b><u>\$ 173,771</u></b>	<b><u>\$ 366,841</u></b>	<b><u>\$ 106,884</u></b>

<b>Michigan Justice Training</b>	<b>Narcotics Forfeiture</b>	<b>Public Safety Communications</b>	<b>Kellogg Arena</b>	<b>Total</b>
\$ 12,373	\$ 428,009	\$ 303,745	\$ 244,698	\$ 1,470,853
-	5,504	-	-	21,927
-	-	123,336	130,302	1,245,949
-	-	-	-	381,711
-	-	-	16,428	16,428
-	2,450	-	24,162	29,492
<u>\$ 12,373</u>	<u>\$ 435,963</u>	<u>\$ 427,081</u>	<u>\$ 415,590</u>	<u>\$ 3,166,360</u>
\$ -	\$ -	\$ -	\$ 60,389	\$ 60,389
-	247,290	-	-	267,921
-	-	-	-	260,261
-	-	-	12,100	214,748
-	247,290	-	72,489	803,319
-	-	-	16,428	16,428
-	2,450	-	24,162	29,492
-	-	-	-	242,123
-	-	271,027	-	956,071
<u>12,373</u>	<u>186,223</u>	<u>156,054</u>	<u>302,511</u>	<u>1,118,927</u>
<u>12,373</u>	<u>188,673</u>	<u>427,081</u>	<u>343,101</u>	<u>2,363,041</u>
<u>\$ 12,373</u>	<u>\$ 435,963</u>	<u>\$ 427,081</u>	<u>\$ 415,590</u>	<u>\$ 3,166,360</u>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Nonmajor Special Revenue Funds**  
**For the Year Ended June 30, 2007**

	<b>Major Street and Trunkline Maintenance</b>	<b>Local Street</b>	<b>Special Grants</b>	<b>HOME Program</b>
<b>Revenues</b>				
Intergovernmental	\$ 4,292,447	\$ 1,006,435	\$ 866,420	\$ 460,226
Charges for services	-	-	-	-
Interest	38,652	58,378	4,303	-
Contributions and donations	-	-	498,634	-
Loan collection (distribution) and other	1,177	183	1,321	-
	<u>4,332,276</u>	<u>1,064,996</u>	<u>1,370,678</u>	<u>460,226</u>
Total revenues				
<b>Expenditures</b>				
Current expenditures:				
General government	-	-	1,464,751	-
Public safety	-	-	193,818	-
Highways and streets	3,317,943	2,779,644	-	-
Parks and recreation	-	-	29,175	-
Community development	-	-	-	459,476
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>3,317,943</u>	<u>2,779,644</u>	<u>1,687,744</u>	<u>459,476</u>
Total expenditures				
Revenues over (under) expenditures	<u>1,014,333</u>	<u>(1,714,648)</u>	<u>(317,066)</u>	<u>750</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	1,897,654	396,753	-
Transfers out	(1,326,765)	(233,524)	(38,347)	(750)
	<u>(1,326,765)</u>	<u>1,664,130</u>	<u>358,406</u>	<u>(750)</u>
Total other financing sources (uses)				
Net change in fund balances	(312,432)	(50,518)	41,340	-
Fund balances, beginning of year	<u>1,540,200</u>	<u>70,912</u>	<u>102,311</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u><u>\$ 1,227,768</u></u>	<u><u>\$ 20,394</u></u>	<u><u>\$ 143,651</u></u>	<u><u>\$ -</u></u>

<b>Michigan Justice Training</b>	<b>Narcotics Forfeiture</b>	<b>Public Safety Communications</b>	<b>Kellogg Arena</b>	<b>Total</b>
\$ 25,756	\$ 101,911	\$ 39,781	\$ 75,000	\$ 6,867,976
-	-	608,652	1,629,865	2,238,517
-	31,436	-	-	132,769
-	-	-	-	498,634
-	22,182	-	-	24,863
<u>25,756</u>	<u>155,529</u>	<u>648,433</u>	<u>1,704,865</u>	<u>9,762,759</u>
38,798	193,135	-	-	1,696,684
-	-	221,269	-	415,087
-	-	-	-	6,097,587
-	-	-	1,714,404	1,743,579
-	-	-	-	459,476
-	-	339,000	-	339,000
-	-	132,842	-	132,842
<u>38,798</u>	<u>193,135</u>	<u>693,111</u>	<u>1,714,404</u>	<u>10,884,255</u>
<u>(13,042)</u>	<u>(37,606)</u>	<u>(44,678)</u>	<u>(9,539)</u>	<u>(1,121,496)</u>
-	-	-	-	2,294,407
-	(34,382)	-	-	(1,633,768)
-	(34,382)	-	-	660,639
(13,042)	(71,988)	(44,678)	(9,539)	(460,857)
<u>25,415</u>	<u>260,661</u>	<u>471,759</u>	<u>352,640</u>	<u>2,823,898</u>
<u>\$ 12,373</u>	<u>\$ 188,673</u>	<u>\$ 427,081</u>	<u>\$ 343,101</u>	<u>\$ 2,363,041</u>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Final Budget and Actual - Nonmajor Special Revenue Funds**  
**For the Year Ended June 30, 2007**

	<b>Major Street and Trunkline Maintenance Fund</b>		
	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenues</b>			
Intergovernmental revenue	\$ 4,475,000	\$ 4,292,447	\$ (182,553)
Charges for services	-	-	-
Interest	30,000	38,652	8,652
Contributions and donations	-	-	-
Loan collection (distribution) and other	-	1,177	1,177
Total revenues	<u>4,505,000</u>	<u>4,332,276</u>	<u>(172,724)</u>
<b>Expenditures</b>			
Current expenditures:			
General government	-	-	-
Public safety	-	-	-
Highways and streets	3,591,086	3,317,943	(273,143)
Parks and recreation	-	-	-
Community development	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>3,591,086</u>	<u>3,317,943</u>	<u>(273,143)</u>
Revenues over (under) expenditures	<u>913,914</u>	<u>1,014,333</u>	<u>100,419</u>
<b>Other financing sources (uses)</b>			
Transfers in	-	-	-
Transfers out	(1,326,764)	(1,326,765)	(1)
Proceeds from sales of capital assets	-	-	-
Total other financing sources (uses)	<u>(1,326,764)</u>	<u>(1,326,765)</u>	<u>(1)</u>
Net change in fund balances	(412,850)	(312,432)	100,418
Fund balances, beginning of year	<u>1,540,200</u>	<u>1,540,200</u>	<u>-</u>
<b>Fund balances (deficits), end of year</b>	<u><u>\$ 1,127,350</u></u>	<u><u>\$ 1,227,768</u></u>	<u><u>\$ 100,418</u></u>

Local Street Fund			Special Grants Fund		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ 1,008,000	\$ 1,006,435	\$ (1,565)	\$ 1,366,212	\$ 866,420	\$ (499,792)
-	-	-	-	-	-
20,000	58,378	38,378	2,128	4,303	2,175
-	-	-	962,972	498,634	(464,338)
-	183	183	3,071	1,321	(1,750)
1,028,000	1,064,996	36,996	2,334,383	1,370,678	(963,705)
-	-	-	2,295,025	1,464,751	(830,274)
-	-	-	290,244	193,818	(96,426)
2,773,111	2,779,644	6,533	-	-	-
-	-	-	272,233	29,175	(243,058)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,773,111	2,779,644	6,533	2,857,502	1,687,744	(1,169,758)
(1,745,111)	(1,714,648)	30,463	(523,119)	(317,066)	206,053
1,897,654	1,897,654	-	406,775	396,753	(10,022)
(233,525)	(233,524)	1	(38,347)	(38,347)	-
-	-	-	-	-	-
1,664,129	1,664,130	1	368,428	358,406	(10,022)
(80,982)	(50,518)	30,464	(154,691)	41,340	196,031
70,912	70,912	-	102,311	102,311	-
\$ (10,070)	\$ 20,394	\$ 30,464	\$ (52,380)	\$ 143,651	\$ 196,031

Continued...

**CITY OF BATTLE CREEK, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Final Budget and Actual - Nonmajor Special Revenue Funds (Continued)**  
**For the Year Ended June 30, 2007**

	<b>HOME Program Fund</b>		
	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenues</b>			
Intergovernmental revenue	\$ 1,134,912	\$ 460,226	\$ (674,686)
Charges for services	-	-	-
Interest	-	-	-
Contributions and donations	-	-	-
Loan collection (distribution) and other	-	-	-
Total revenues	<u>1,134,912</u>	<u>460,226</u>	<u>(674,686)</u>
<b>Expenditures</b>			
Current expenditures:			
General government	-	-	-
Public safety	-	-	-
Highways and streets	-	-	-
Parks and recreation	-	-	-
Community development	1,134,162	459,476	(674,686)
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>1,134,162</u>	<u>459,476</u>	<u>(674,686)</u>
Revenues over (under) expenditures	<u>750</u>	<u>750</u>	<u>-</u>
<b>Other financing sources (uses)</b>			
Transfers in	-	-	-
Transfers out	(750)	(750)	-
Proceeds from sales of capital assets	-	-	-
Total other financing sources (uses)	<u>(750)</u>	<u>(750)</u>	<u>-</u>
Net change in fund balances	-	-	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances (deficits), end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



Michigan Justice Training Fund			Narcotics Forfeiture Fund		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ 25,500	\$ 25,756	\$ 256	\$ 77,134	\$ 101,911	\$ 24,777
-	-	-	-	-	-
-	-	-	21,204	31,436	10,232
-	-	-	-	-	-
-	-	-	22,182	22,182	-
25,500	25,756	256	120,520	155,529	35,009
50,914	38,798	(12,116)	174,591	193,135	18,544
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
50,914	38,798	(12,116)	174,591	193,135	18,544
(25,414)	(13,042)	12,372	(54,071)	(37,606)	16,465
-	-	-	-	-	-
-	-	-	-	(34,382)	(34,382)
-	-	-	-	-	-
-	-	-	-	(34,382)	(34,382)
(25,414)	(13,042)	12,372	(54,071)	(71,988)	(17,917)
25,415	25,415	-	260,661	260,661	-
\$ 1	\$ 12,373	\$ 12,372	\$ 206,590	\$ 188,673	\$ (17,917)

Continued...

**CITY OF BATTLE CREEK, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Final Budget and Actual - Nonmajor Special Revenue Funds (Concluded)**  
**For the Year Ended June 30, 2007**

	<b>Public Safety Communications</b>		
	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenues</b>			
Intergovernmental revenue	\$ -	\$ 39,781	\$ 39,781
Charges for services	408,000	608,652	200,652
Interest	-	-	-
Contributions and donations	-	-	-
Loan collection (distribution) and other	-	-	-
Total revenues	408,000	648,433	240,433
<b>Expenditures</b>			
Current expenditures:			
General government	-	-	-
Public safety	266,550	221,269	(45,281)
Highways and streets	-	-	-
Parks and recreation	-	-	-
Community development	-	-	-
Debt service:			
Principal	339,000	339,000	-
Interest	132,842	132,842	-
Total expenditures	738,392	693,111	(45,281)
Revenues over (under) expenditures	(330,392)	(44,678)	285,714
<b>Other financing sources (uses)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Proceeds from sales of capital assets	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(330,392)	(44,678)	285,714
Fund balances, beginning of year	471,759	471,759	-
<b>Fund balances, end of year</b>	<b>\$ 141,367</b>	<b>\$ 427,081</b>	<b>\$ 285,714</b>

<b>Kellogg Arena Fund</b>		
<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
\$ 75,000	\$ 75,000	\$ -
1,513,577	1,629,865	116,288
-	-	-
-	-	-
-	-	-
1,588,577	1,704,865	116,288
-	-	-
-	-	-
-	-	-
1,627,549	1,714,404	86,855
-	-	-
-	-	-
-	-	-
1,627,549	1,714,404	86,855
(38,972)	(9,539)	29,433
-	-	-
-	-	-
-	-	-
-	-	-
(38,972)	(9,539)	29,433
352,640	352,640	-
\$ 313,668	\$ 343,101	\$ 29,433

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Balance Sheet - Nonmajor Debt Service Funds**  
**June 30, 2007**

	<u>DPW Building</u>	<u>Building Authority Bonds</u>	<u>Special Assessment Debt Service</u>	<u>Michigan Transportation Fund Bonds Debt Service</u>	<u>MEDC / Cereal City Loan</u>	<u>Total</u>
<b><u>ASSETS</u></b>						
<b>Assets</b>						
Pooled cash and investments	\$ 3	\$ 4,216	\$ 1,100,527	\$ 936	\$ -	\$ 1,105,682
Receivables:						
Interest	-	40	10,478	9	-	10,527
Special assessments	-	-	14,018	-	-	14,018
Grants	-	-	-	-	875,000	875,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>875,000</u>	<u>875,000</u>
<b><u>TOTAL ASSETS</u></b>	<u>\$ 3</u>	<u>\$ 4,256</u>	<u>\$ 1,125,023</u>	<u>\$ 945</u>	<u>\$ 875,000</u>	<u>\$ 2,005,227</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ 16,860	\$ -	\$ 875,000	\$ 891,860
Deferred revenue	-	-	14,018	-	-	14,018
	<u>-</u>	<u>-</u>	<u>14,018</u>	<u>-</u>	<u>-</u>	<u>14,018</u>
Total liabilities	-	-	30,878	-	875,000	905,878
<b>Fund balances</b>						
Unreserved, undesignated	3	4,256	1,094,145	945	-	1,099,349
	<u>3</u>	<u>4,256</u>	<u>1,094,145</u>	<u>945</u>	<u>-</u>	<u>1,099,349</u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<u>\$ 3</u>	<u>\$ 4,256</u>	<u>\$ 1,125,023</u>	<u>\$ 945</u>	<u>\$ 875,000</u>	<u>\$ 2,005,227</u>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Nonmajor Debt Service Funds**  
**For the Year Ended June 30, 2007**

	<b>DPW Building</b>	<b>Building Authority Bonds</b>	<b>Special Assessment Debt Service</b>	<b>Michigan Transportation Fund Bonds Debt Service</b>	<b>MEDC / Cereal City Loan</b>	<b>Total</b>
<b>Revenues</b>						
Interest	\$ -	\$ 599	\$ 58,329	\$ 50	\$ -	\$ 58,978
Local sources	-	1,370,981	-	-	875,000	2,245,981
Total revenues	-	1,371,580	58,329	50	875,000	2,304,959
<b>Expenditures</b>						
Debt service:						
Principal retirement	380,000	860,000	-	290,000	875,000	2,405,000
Interest	397,244	511,619	11,651	60,269	-	980,783
Total expenditures	777,244	1,371,619	11,651	350,269	875,000	3,385,783
Revenues over (under) expenditures	(777,244)	(39)	46,678	(350,219)	-	(1,080,824)
<b>Other financing sources</b>						
Transfers in	777,244	-	-	350,269	-	1,127,513
Net change in fund balances	-	(39)	46,678	50	-	46,689
Fund balances, beginning of year	3	4,295	1,047,467	895	-	1,052,660
<b>Fund balances, end of year</b>	<b>\$ 3</b>	<b>\$ 4,256</b>	<b>\$ 1,094,145</b>	<b>\$ 945</b>	<b>\$ -</b>	<b>\$ 1,099,349</b>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Balance Sheet - Nonmajor Capital Projects Funds**  
**June 30, 2007**

	<u>Street Projects</u>	<u>Justice Center Construction</u>	<u>General Capital Improvement</u>	<u>Dispatch Capital Improvement</u>	<u>Fiber Conduit</u>	<u>Energy Savings</u>	<u>Total</u>
<b><u>ASSETS</u></b>							
<b>Assets</b>							
Pooled cash and investments	\$ 477,285	\$ 6,519	\$ 1,250,629	\$ 1,285,005	\$ 3,443	\$ 2,418,319	\$ 5,441,200
Receivables:							
Interest	-	62	13,035	11,666	-	-	24,763
Grants	28,651	-	-	-	-	-	28,651
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 505,936</u></b>	<b><u>\$ 6,581</u></b>	<b><u>\$ 1,263,664</u></b>	<b><u>\$ 1,296,671</u></b>	<b><u>\$ 3,443</u></b>	<b><u>\$ 2,418,319</u></b>	<b><u>\$ 5,494,614</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>							
<b>Liabilities</b>							
Retentions, deposits and other liabilities	\$ 128,950	\$ -	\$ -	\$ -	\$ 3,443	\$ -	\$ 132,393
<b>Fund balances - unreserved</b>							
Designated for future departmental appropriations	-	-	823,556	-	-	-	823,556
Undesignated	376,986	6,581	440,108	1,296,671	-	2,418,319	4,538,665
Total fund balances	376,986	6,581	1,263,664	1,296,671	-	2,418,319	5,362,221
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 505,936</u></b>	<b><u>\$ 6,581</u></b>	<b><u>\$ 1,263,664</u></b>	<b><u>\$ 1,296,671</u></b>	<b><u>\$ 3,443</u></b>	<b><u>\$ 2,418,319</u></b>	<b><u>\$ 5,494,614</u></b>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Revenue, Expenditures and**  
**Changes in Fund Balance - Nonmajor Capital Projects Funds**  
**For the Year Ended June 30, 2007**

	<u>Street Projects</u>	<u>Justice Center Construction</u>	<u>General Capital Improvement</u>	<u>Dispatch Capital Improvement</u>	<u>Fiber Conduit</u>	<u>Energy Savings</u>	<u>Total</u>
<b>Revenue</b>							
Intergovernmental	\$ 411,152	\$ -	\$ -	\$ -	\$ 68,851	\$ -	\$ 480,003
Investment income	-	346	74,866	122,361	-	614	198,187
Other	1,720	-	-	-	-	-	1,720
Total revenue	412,872	346	74,866	122,361	68,851	614	679,910
<b>Expenditures</b>							
General government	-	-	168,662	-	68,851	1,290,300	1,527,813
Highways and streets	3,595,549	-	144,346	-	-	-	3,739,895
Capital outlay	-	-	-	2,807,886	-	-	2,807,886
Total expenditures	3,595,549	-	313,008	2,807,886	68,851	1,290,300	8,075,594
Revenue over (under) expenditures	(3,182,677)	346	(238,142)	(2,685,525)	-	(1,289,686)	(7,395,684)
<b>Other financing sources (uses)</b>							
Loan proceeds	-	-	-	-	-	3,708,005	3,708,005
Transfers in	3,395,434	-	892,368	530,795	-	-	4,818,597
Transfers out	-	-	(778,821)	-	-	-	(778,821)
Total other financing sources	3,395,434	-	113,547	530,795	-	3,708,005	7,747,781
Net change in fund balances	212,757	346	(124,595)	(2,154,730)	-	2,418,319	352,097
Fund balances, beginning of year	164,229	6,235	1,388,259	3,451,401	-	-	5,010,124
<b>Fund balances, end of year</b>	<u>\$ 376,986</u>	<u>\$ 6,581</u>	<u>\$ 1,263,664</u>	<u>\$ 1,296,671</u>	<u>\$ -</u>	<u>\$ 2,418,319</u>	<u>\$ 5,362,221</u>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Balance Sheet - Nonmajor Permanent Funds**  
**June 30, 2007**

	<b>Youth Center Endowment</b>	<b>Kellogg Arena Endowment</b>	<b>Special Project Reserves</b>	<b>Total</b>
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Pooled cash and investments	\$ 1,750,213	\$ 667,138	\$ 1,063,992	\$ 3,481,343
Interest receivable	17,318	6,349	-	23,667
Special assessments receivable	-	-	164,406	164,406
	<u>-</u>	<u>-</u>	<u>164,406</u>	<u>164,406</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 1,767,531</u></b>	<b><u>\$ 673,487</u></b>	<b><u>\$ 1,228,398</u></b>	<b><u>\$ 3,669,416</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Deferred revenue	\$ -	\$ -	\$ 164,406	\$ 164,406
	<u>-</u>	<u>-</u>	<u>164,406</u>	<u>164,406</u>
<b>Fund balances</b>				
Reserved:				
Youth Center	1,500,000	-	-	1,500,000
Kellogg Arena	-	623,533	-	623,533
Unreserved, undesignated	267,531	49,954	1,063,992	1,381,477
	<u>267,531</u>	<u>49,954</u>	<u>1,063,992</u>	<u>1,381,477</u>
Total fund balances	1,767,531	673,487	1,063,992	3,505,010
	<u>1,767,531</u>	<u>673,487</u>	<u>1,063,992</u>	<u>3,505,010</u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 1,767,531</u></b>	<b><u>\$ 673,487</u></b>	<b><u>\$ 1,228,398</u></b>	<b><u>\$ 3,669,416</u></b>



**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Nonmajor Permanent Funds**  
**For the Year Ended June 30, 2007**

	<b>Youth Center Endowment</b>	<b>Kellogg Arena Endowment</b>	<b>Special Project Reserves</b>	<b>Total</b>
<b>Revenues</b>				
Investment income	\$ 98,397	\$ 35,446	\$ -	\$ 133,843
Contributions and donations	-	-	2,116	2,116
Other	50	-	131,380	131,430
	<u>98,447</u>	<u>35,446</u>	<u>133,496</u>	<u>267,389</u>
Total revenues				
	<u>98,447</u>	<u>35,446</u>	<u>133,496</u>	<u>267,389</u>
<b>Expenditures</b>				
Unallocated	125,028	-	126,488	251,516
Debt service:				
Principal	-	-	145,000	145,000
Interest	-	-	14,128	14,128
	<u>125,028</u>	<u>-</u>	<u>285,616</u>	<u>410,644</u>
Total expenditures				
	<u>125,028</u>	<u>-</u>	<u>285,616</u>	<u>410,644</u>
Revenues over (under) expenditures	<u>(26,581)</u>	<u>35,446</u>	<u>(152,120)</u>	<u>(143,255)</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	224,601	224,601
Transfers out	-	-	(70,000)	(70,000)
	<u>-</u>	<u>-</u>	<u>154,601</u>	<u>154,601</u>
Total other financing sources				
	<u>-</u>	<u>-</u>	<u>154,601</u>	<u>154,601</u>
Net change in fund balances	(26,581)	35,446	2,481	11,346
Fund balances, beginning of year	1,794,112	638,041	1,061,511	3,493,664
	<u>1,794,112</u>	<u>638,041</u>	<u>1,061,511</u>	<u>3,493,664</u>
<b>Fund balances, end of year</b>	<u>\$ 1,767,531</u>	<u>\$ 673,487</u>	<u>\$ 1,063,992</u>	<u>\$ 3,505,010</u>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Net Assets - Nonmajor Enterprise Funds**  
**June 30, 2007**

	<b>Binder Park Golf Course</b>	<b>Automobile Parking System</b>	<b>FAA</b>	<b>Battle Creek Transit System</b>
<b>Assets</b>				
Current assets:				
Pooled cash and investments	\$ -	\$ 429,744	\$ 386,337	\$ -
Receivables:				
Interest	880	4,245	9	-
Accounts	403	-	-	-
Grants	-	-	-	854,365
Inventories	75,552	-	-	118,508
Total current assets	<u>76,835</u>	<u>433,989</u>	<u>386,346</u>	<u>972,873</u>
Noncurrent assets:				
Capital assets, net	<u>3,217,672</u>	<u>7,038,086</u>	<u>2,149,222</u>	<u>3,144,103</u>
Total assets	<u>3,294,507</u>	<u>7,472,075</u>	<u>2,535,568</u>	<u>4,116,976</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	-	-	-	106,001
Accrued payroll and compensated absences	7,449	-	-	87,622
Other liabilities	-	-	-	-
Accrued interest payable	50,138	-	12,685	-
Interfund payable	503,558	-	-	181,472
Unearned revenue	21,770	-	-	-
Current portion of leases payable	-	-	-	-
Current portion of bonds payable	145,000	-	205,000	-
Total current liabilities	<u>727,915</u>	<u>-</u>	<u>217,685</u>	<u>375,095</u>
Noncurrent liabilities -				
Advance from component unit	-	-	397,540	-
Leases payable	-	-	-	-
Bonds payable	<u>2,590,000</u>	<u>-</u>	<u>910,199</u>	<u>-</u>
Total liabilities	<u>3,317,915</u>	<u>-</u>	<u>1,525,424</u>	<u>375,095</u>
<b>Net assets (deficit)</b>				
Invested in capital assets, net of related debt	482,672	7,038,086	1,034,023	3,144,103
Unrestricted (deficit)	<u>(506,080)</u>	<u>433,989</u>	<u>(23,879)</u>	<u>597,778</u>
Total net assets (deficit)	<u>\$ (23,408)</u>	<u>\$ 7,472,075</u>	<u>\$ 1,010,144</u>	<u>\$ 3,741,881</u>

<b>Solid Waste Collection</b>	<b>W.K. Kellogg Airport</b>	<b>Fiber Conduit</b>	<b>Total</b>
\$ 126,354	\$ 1,069,377	\$ -	\$ 2,011,812
2,709	14,701	-	22,544
210,264	-	-	210,667
-	-	-	854,365
-	-	-	194,060
<u>339,327</u>	<u>1,084,078</u>	<u>-</u>	<u>3,293,448</u>
-	9,548,872	1,772,561	26,870,516
<u>339,327</u>	<u>10,632,950</u>	<u>1,772,561</u>	<u>30,163,964</u>
-	2,200	-	108,201
11,086	53,849	-	160,006
-	39,915	-	39,915
-	24,139	333	87,295
-	-	1,739,410	2,424,440
-	-	-	21,770
-	121,874	-	121,874
-	-	-	350,000
<u>11,086</u>	<u>241,977</u>	<u>1,739,743</u>	<u>3,313,501</u>
-	-	-	397,540
-	852,670	-	852,670
-	-	-	3,500,199
<u>11,086</u>	<u>1,094,647</u>	<u>1,739,743</u>	<u>8,063,910</u>
-	8,574,328	1,772,561	22,045,773
<u>328,241</u>	<u>963,975</u>	<u>(1,739,743)</u>	<u>54,281</u>
<u>\$ 328,241</u>	<u>\$ 9,538,303</u>	<u>\$ 32,818</u>	<u>\$ 22,100,054</u>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Revenues, Expenses and**  
**Changes in Fund Net Assets - Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2007**

	<b>Binder Park Golf Course</b>	<b>Automobile Parking System</b>	<b>FAA</b>	<b>Battle Creek Transit System</b>
<b>Operating revenues</b>				
Charges for services	\$ 1,215,371	\$ 681,515	\$ 419,410	\$ 340,111
Other	(7,186)	-	-	16,791
Total operating revenues	<u>1,208,185</u>	<u>681,515</u>	<u>419,410</u>	<u>356,902</u>
<b>Operating expenses</b>				
Personal services	199,080	-	9,181	2,452,350
Materials and supplies	388,476	14	867	477,018
Contractual and other	385,908	801,937	131,990	578,387
Depreciation	<u>109,772</u>	<u>350,021</u>	<u>149,241</u>	<u>318,165</u>
Total operating expenses	<u>1,083,236</u>	<u>1,151,972</u>	<u>291,279</u>	<u>3,825,920</u>
Operating income (loss)	<u>124,949</u>	<u>(470,457)</u>	<u>128,131</u>	<u>(3,469,018)</u>
<b>Non-operating revenues (expenses)</b>				
Intergovernmental subsidies	-	-	-	3,398,685
Interest income	4,249	23,567	51	-
Interest expense	<u>(121,112)</u>	<u>-</u>	<u>(58,564)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(116,863)</u>	<u>23,567</u>	<u>(58,513)</u>	<u>3,398,685</u>
Income (loss) before contributions and transfers	8,086	(446,890)	69,618	(70,333)
<b>Capital contributions</b>	-	-	-	-
<b>Transfers in</b>	66,666	62,856	254,303	1,160,539
<b>Transfers out</b>	<u>-</u>	<u>(1,010)</u>	<u>(255,113)</u>	<u>(4,550)</u>
Change in net assets	74,752	(385,044)	68,808	1,085,656
Net assets (deficit), beginning of year, as restated	<u>(98,160)</u>	<u>7,857,119</u>	<u>941,336</u>	<u>2,656,225</u>
<b>Net assets (deficit), end of year</b>	<u>\$ (23,408)</u>	<u>\$ 7,472,075</u>	<u>\$ 1,010,144</u>	<u>\$ 3,741,881</u>

<b>Solid Waste Collection</b>	<b>W.K. Kellogg Airport</b>	<b>Fiber Conduit</b>	<b>Total</b>
\$ 2,484,297	\$ 686,488	\$ -	\$ 5,827,192
31,825	18,918	-	60,348
2,516,122	705,406	-	5,887,540
219,548	693,269	-	3,573,428
26,522	124,903	-	1,017,800
2,194,979	337,257	-	4,430,458
-	568,804	38,544	1,534,547
2,441,049	1,724,233	38,544	10,556,233
75,073	(1,018,827)	(38,544)	(4,668,693)
-	1,325,158	-	4,723,843
10,090	82,070	-	120,027
-	(49,276)	(17,315)	(246,267)
10,090	1,357,952	(17,315)	4,597,603
85,163	339,125	(55,859)	(71,090)
-	679,018	-	679,018
-	-	-	1,544,364
(12,546)	(5,875)	-	(279,094)
72,617	1,012,268	(55,859)	1,873,198
255,624	8,526,035	88,677	20,226,856
\$ 328,241	\$ 9,538,303	\$ 32,818	\$ 22,100,054

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2007**

	<b>Binder Park Golf Course</b>	<b>Automobile Parking System</b>	<b>FAA</b>	<b>Battle Creek Transit System</b>
<b>Cash flows from operating activities</b>				
Receipts from customers and users	\$ 1,196,666	\$ 681,515	\$ 419,410	\$ 356,902
Payments to suppliers and contractors	(722,320)	(801,937)	(121,726)	(1,038,348)
Payments to employees	(194,373)	-	(9,181)	(2,436,884)
Payments for interfund services	(87,241)	(14)	(9,797)	(282,284)
Net cash provided by (used in) operating activities	<u>192,732</u>	<u>(120,436)</u>	<u>278,706</u>	<u>(3,400,614)</u>
<b>Cash flows from non-capital financing activities</b>				
Transfers in	66,666	62,856	254,303	1,160,539
Transfers out	-	(1,010)	(255,113)	(4,550)
Intergovernmental subsidies	-	-	-	3,389,677
Net cash provided by (used in) non-capital financing activities	<u>66,666</u>	<u>61,846</u>	<u>(810)</u>	<u>4,545,666</u>
<b>Cash flows from capital and related financing activities</b>				
Proceeds from interfund borrowing	-	-	-	-
Principal and interest paid on long-term debt	(263,562)	-	(255,637)	-
Purchase of capital assets	-	-	-	(1,145,052)
Net cash used in capital and related financing activities	<u>(263,562)</u>	<u>-</u>	<u>(255,637)</u>	<u>(1,145,052)</u>
<b>Cash flows from investing activities</b>				
Interest received on investments	<u>4,164</u>	<u>24,182</u>	<u>51</u>	<u>-</u>
Net increase (decrease) in pooled cash and investments	-	(34,408)	22,310	-
Pooled cash and investments, beginning of year	-	464,152	364,027	-
<b>Pooled cash and investments, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ 429,744</u></u>	<u><u>\$ 386,337</u></u>	<u><u>\$ -</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>				
Operating income (loss)	\$ 124,949	\$ (470,457)	\$ 128,131	\$ (3,469,018)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	109,772	350,021	149,241	318,165
Amortization of bond issuance costs	-	-	1,334	-
Changes in assets and liabilities:				
Accounts receivable	(403)	-	-	-
Inventories and other assets	(1,666)	-	-	41,131
Accounts payable	(11)	-	-	106,001
Accrued payroll and compensated absences	4,707	-	-	15,466
Retentions, deposits and other liabilities	-	-	-	-
Interfund payable	(33,500)	-	-	(412,359)
Unearned revenue	(11,116)	-	-	-
<b>Net cash provided by (used in) operating activities</b>	<u><u>\$ 192,732</u></u>	<u><u>\$ (120,436)</u></u>	<u><u>\$ 278,706</u></u>	<u><u>\$ (3,400,614)</u></u>

<b>Solid Waste Collection</b>	<b>W.K. Kellogg Airport</b>	<b>Fiber Conduit</b>	<b>Total</b>
\$ 2,403,990	\$ 651,521	\$ -	\$ 5,710,004
(2,204,530)	(302,093)	-	(5,190,954)
(221,519)	(677,611)	-	(3,539,568)
(16,971)	(120,152)	-	(516,459)
(39,030)	(448,335)	-	(3,536,977)
-	-	-	1,544,364
(12,546)	(5,875)	-	(279,094)
-	1,325,158	-	4,714,835
(12,546)	1,319,283	-	5,980,105
-	-	18,085	18,085
-	(168,046)	(18,085)	(705,330)
-	(332,806)	-	(1,477,858)
-	(500,852)	-	(2,165,103)
10,512	82,186	-	121,095
(41,064)	452,282	-	399,120
167,418	617,095	-	1,612,692
<u>\$ 126,354</u>	<u>\$ 1,069,377</u>	<u>\$ -</u>	<u>\$ 2,011,812</u>
\$ 75,073	\$ (1,018,827)	\$ (38,544)	\$ (4,668,693)
-	568,804	38,544	1,534,547
-	-	-	1,334
(101,432)	-	-	(101,835)
-	-	-	39,465
-	-	-	105,990
(1,971)	15,658	-	33,860
-	39,915	-	39,915
-	-	-	(445,859)
(10,700)	(53,885)	-	(75,701)
<u>\$ (39,030)</u>	<u>\$ (448,335)</u>	<u>\$ -</u>	<u>\$ (3,536,977)</u>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2007**

	<b>Equipment Center</b>	<b>Self- Insurance</b>	<b>Information Services</b>	<b>Reproduction</b>	<b>Total</b>
<b>Assets</b>					
Current assets:					
Pooled cash and investments	\$ 716,108	\$ 10,334,927	\$ 1,494,386	\$ 372,237	\$ 12,917,658
Interest receivable	-	99,558	-	-	99,558
Accounts receivable	863	-	-	-	863
Inventories	297,427	-	-	-	297,427
Prepaid items	-	310,178	4,025	-	314,203
Total current assets	1,014,398	10,744,663	1,498,411	372,237	13,629,709
Noncurrent assets:					
Capital assets, net	2,313,964	-	243,520	-	2,557,484
Total assets	3,328,362	10,744,663	1,741,931	372,237	16,187,193
<b>Liabilities</b>					
Current liabilities:					
Accrued payroll and compensated absences	65,180	13,637	39,918	24,931	143,666
Accrued interest payable	-	-	99	-	99
Claims payable	-	4,044,375	-	-	4,044,375
Lease payable, current portion	-	-	7,708	-	7,708
Total current liabilities	65,180	4,058,012	47,725	24,931	4,195,848
Noncurrent liabilities:					
Lease payable	-	-	25,642	-	25,642
Total liabilities	65,180	4,058,012	73,367	24,931	4,221,490
<b>Net assets</b>					
Invested in capital assets, net of related debt	2,313,964	-	210,170	-	2,524,134
Unrestricted	949,218	6,686,651	1,458,394	347,306	9,441,569
Total net assets	\$ 3,263,182	\$ 6,686,651	\$ 1,668,564	\$ 347,306	\$ 11,965,703



**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the Year Ended June 30, 2007**

	<b>Equipment Center</b>	<b>Self- Insurance</b>	<b>Information Services</b>	<b>Reproduction</b>	<b>Total</b>
<b>Operating revenues</b>					
Charges for services	\$ 4,670,563	\$ 12,449,061	\$ 1,288,643	\$ 304,263	\$ 18,712,530
Other	123,498	550	1,400	-	125,448
Total operating revenues	4,794,061	12,449,611	1,290,043	304,263	18,837,978
<b>Operating expenses</b>					
Personal services	1,268,665	269,680	720,348	229,546	2,488,239
Materials and supplies	1,532,648	6,717	185,874	99,119	1,824,358
Contractual and other	901,332	10,455,521	493,294	48,643	11,898,790
Depreciation	624,662	-	167,974	-	792,636
Total operating expenses	4,327,307	10,731,918	1,567,490	377,308	17,004,023
Operating income (loss)	466,754	1,717,693	(277,447)	(73,045)	1,833,955
<b>Nonoperating revenues (expenses)</b>					
Interest income	-	367,642	-	-	367,642
Interest expense	-	-	(504)	-	(504)
Total nonoperating revenues (expenses)	-	367,642	(504)	-	367,138
Income (loss) before transfers	466,754	2,085,335	(277,951)	(73,045)	2,201,093
<b>Transfers in</b>	-	-	376,954	87,364	464,318
<b>Transfers out</b>	(784,564)	(263,832)	-	(179,326)	(1,227,722)
Change in net assets	(317,810)	1,821,503	99,003	(165,007)	1,437,689
Net assets, beginning of year	3,580,992	4,865,148	1,569,561	512,313	10,528,014
<b>Net assets, end of year</b>	<u>\$ 3,263,182</u>	<u>\$ 6,686,651</u>	<u>\$ 1,668,564</u>	<u>\$ 347,306</u>	<u>\$ 11,965,703</u>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2007**

	<u>Equipment Center</u>	<u>Self- Insurance</u>	<u>Information Services</u>	<u>Reproduction</u>	<u>Total</u>
<b>Cash flows from operating activities</b>					
Receipts from interfund services	\$ 4,794,061	\$ 12,449,611	\$ 1,290,043	\$ 304,263	\$ 18,837,978
Payments to suppliers/claimants	(2,380,358)	(10,712,850)	(657,404)	(147,762)	(13,898,374)
Payments to employees	<u>(1,267,562)</u>	<u>(266,129)</u>	<u>(730,112)</u>	<u>(226,902)</u>	<u>(2,490,705)</u>
Net cash provided by (used in) operating activities	<u>1,146,141</u>	<u>1,470,632</u>	<u>(97,473)</u>	<u>(70,401)</u>	<u>2,448,899</u>
<b>Cash flows from non-capital financing activities</b>					
Transfers in	-	-	376,954	87,364	464,318
Transfers out	<u>(784,564)</u>	<u>(263,832)</u>	<u>-</u>	<u>(179,326)</u>	<u>(1,227,722)</u>
Net cash provided by (used in) non-capital financing activities	<u>(784,564)</u>	<u>(263,832)</u>	<u>376,954</u>	<u>(91,962)</u>	<u>(763,404)</u>
<b>Cash flows from capital and related financing activities</b>					
Principal and interest paid on capital lease	-	-	(2,456)	-	(2,456)
Purchase of capital assets	<u>(787,276)</u>	<u>-</u>	<u>(15,520)</u>	<u>-</u>	<u>(802,796)</u>
Net cash used in capital and related financing activities	<u>(787,276)</u>	<u>-</u>	<u>(17,976)</u>	<u>-</u>	<u>(805,252)</u>
<b>Cash flows from investing activities</b>					
Interest received on investments	<u>-</u>	<u>357,828</u>	<u>-</u>	<u>-</u>	<u>357,828</u>
Net increase (decrease) in pooled cash and investments	(425,699)	1,564,628	261,505	(162,363)	1,238,071
Pooled cash and investments, beginning of year	<u>1,141,807</u>	<u>8,770,299</u>	<u>1,232,881</u>	<u>534,600</u>	<u>11,679,587</u>
<b>Pooled cash and investments, end of year</b>	<u>\$ 716,108</u>	<u>\$ 10,334,927</u>	<u>\$ 1,494,386</u>	<u>\$ 372,237</u>	<u>\$ 12,917,658</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>					
Operating income (loss)	\$ 466,754	\$ 1,717,693	\$ (277,447)	\$ (73,045)	\$ 1,833,955
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	624,662	-	167,974	-	792,636
Changes in assets and liabilities:					
Accounts receivable	(863)	-	-	-	(863)
Inventories	54,485	-	-	-	54,485
Prepaid items	-	(14,413)	21,764	-	7,351
Accrued payroll/compensated absences	1,103	3,551	(9,764)	2,644	(2,466)
Claims payable	<u>-</u>	<u>(236,199)</u>	<u>-</u>	<u>-</u>	<u>(236,199)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 1,146,141</u>	<u>\$ 1,470,632</u>	<u>\$ (97,473)</u>	<u>\$ (70,401)</u>	<u>\$ 2,448,899</u>
<b>Noncash Items:</b>					
Capital leases	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,401</u>	<u>\$ -</u>	<u>\$ 35,401</u>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Fiduciary Net Assets**  
**Pension and Other Employee Benefit Trust Funds**  
**June 30, 2007**

	<b>Police and Fire Retirement System</b>	<b>Voluntary Employees Beneficiary Association</b>	<b>Fire Retiree Health Care</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 4,290,282	\$ 54,828	\$ 20,737	\$ 4,365,847
Investments:				
U.S. treasuries	8,973,993	-	-	8,973,993
U.S. agencies	15,327,954	-	-	15,327,954
Domestic corporate securities	13,517,229	-	-	13,517,229
Domestic equities	49,622,622	-	-	49,622,622
American depository receipts	16,987,608	-	-	16,987,608
International equities	3,223,338	-	-	3,223,338
Interest receivable	467,113	-	-	467,113
Pension contributions receivable	114,256	309	13	114,578
	<u>112,524,395</u>	<u>55,137</u>	<u>20,750</u>	<u>112,600,282</u>
Total assets	112,524,395	55,137	20,750	112,600,282
<b>Liabilities</b>				
Deposits and retentions payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net assets</b>				
Held in trust for pension and postemployment healthcare benefits	<u>\$ 112,524,395</u>	<u>\$ 55,137</u>	<u>\$ 20,750</u>	<u>\$ 112,600,282</u>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Pension and Other Employee Benefit Trust Funds**  
**For the Year Ended June 30, 2007**

	<b>Police and Fire Retirement System</b>	<b>Voluntary Employees Beneficiary Association</b>	<b>Fire Retiree Health Care</b>	<b>Total</b>
<b>Additions</b>				
Investment income:				
Net realized and unrealized appreciation in fair value of investments	\$ 10,049,937	\$ -	\$ -	\$ 10,049,937
Interest and dividends	4,688,828	109	4	4,688,941
Less investment expenses	<u>(1,816,709)</u>	<u>-</u>	<u>-</u>	<u>(1,816,709)</u>
Net investment income	<u>12,922,056</u>	<u>109</u>	<u>4</u>	<u>12,922,169</u>
Contributions:				
Employer	3,540,775	-	-	3,540,775
Employees	<u>967,146</u>	<u>55,028</u>	<u>20,746</u>	<u>1,042,920</u>
Total contributions	<u>4,507,921</u>	<u>55,028</u>	<u>20,746</u>	<u>4,583,695</u>
Total additions	<u>17,429,977</u>	<u>55,137</u>	<u>20,750</u>	<u>17,505,864</u>
<b>Deductions</b>				
Pension benefit payments	5,993,919	-	-	5,993,919
Contribution refunds	111,456	-	-	111,456
Medical insurance premiums	1,049,327	-	-	1,049,327
Administrative expenses	<u>24,936</u>	<u>-</u>	<u>-</u>	<u>24,936</u>
Total deductions	<u>7,179,638</u>	<u>-</u>	<u>-</u>	<u>7,179,638</u>
Net additions to net assets held in trust for benefits	10,250,339	55,137	20,750	10,326,226
Net assets held in trust for benefits:				
Beginning of year	<u>102,274,056</u>	<u>-</u>	<u>-</u>	<u>102,274,056</u>
<b>End of year</b>	<u><u>\$ 112,524,395</u></u>	<u><u>\$ 55,137</u></u>	<u><u>\$ 20,750</u></u>	<u><u>\$ 112,600,282</u></u>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Fiduciary Net Assets**  
**Agency Funds**  
**June 30, 2007**

	<b><u>Contractors' Retention</u></b>	<b><u>Fire Insurance Escrow</u></b>	<b><u>Delinquent Personal Property Taxes</u></b>	<b><u>Summer Property Tax Collection</u></b>	<b><u>Winter Property Tax Collection</u></b>	<b><u>Total</u></b>
<b>Assets</b>						
Pooled cash and investments	\$ -	\$ 28,516	\$ 34,268	\$ -	\$ -	\$ 62,784
Delinquent taxes receivable	<u>-</u>	<u>-</u>	<u>2,401,118</u>	<u>-</u>	<u>-</u>	<u>2,401,118</u>
Total assets	<u><u>\$ -</u></u>	<u><u>\$ 28,516</u></u>	<u><u>\$2,435,386</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$2,463,902</u></u>
<b>Liabilities</b>						
Deposits and retentions payable	<u><u>\$ -</u></u>	<u><u>\$ 28,516</u></u>	<u><u>\$2,435,386</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$2,463,902</u></u>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2007**

	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
<b><u>CONTRACTOR'S RETENTION</u></b>				
<b>Assets</b>				
Pooled cash and investments	\$ 443,059	\$ 1,103,775	\$ 1,546,834	\$ -
<b>Liabilities</b>				
Deposits and retentions payable	\$ 443,059	\$ 1,103,775	\$ 1,546,834	\$ -
<b><u>FIRE INSURANCE ESCROW</u></b>				
<b>Assets</b>				
Pooled cash and investments	\$ -	\$ 28,516	\$ -	\$ 28,516
<b>Liabilities</b>				
Deposits and retentions payable	\$ -	\$ 28,516	\$ -	\$ 28,516
<b><u>DELINQUENT PERSONAL PROPERTY TAXES</u></b>				
<b>Assets</b>				
Pooled cash and investments	\$ 5,715	\$ 377,482	\$ 348,929	\$ 34,268
Delinquent taxes receivable	2,884,728	292,443	776,053	2,401,118
	<u>\$ 2,890,443</u>	<u>\$ 669,925</u>	<u>\$ 1,124,982</u>	<u>\$ 2,435,386</u>
<b>Liabilities</b>				
Deposits and retentions payable	\$ 2,890,443	\$ 669,925	\$ 1,124,982	\$ 2,435,386
<b><u>SUMMER PROPERTY TAX COLLECTION</u></b>				
<b>Assets</b>				
Pooled cash and investments	\$ -	\$ 69,243,959	\$ 69,243,959	\$ -
<b>Liabilities</b>				
Deposits and retentions payable	\$ -	\$ 69,243,959	\$ 69,243,959	\$ -

Continued...

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds (Concluded)**  
**For the Year Ended June 30, 2007**

	<b>Balance June 30, 2006</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2007</b>
<b><u>WINTER PROPERTY TAX COLLECTION</u></b>				
<b>Assets</b>				
Pooled cash and investments	\$ -	\$ 42,745,514	\$ 42,745,514	\$ -
<b>Liabilities</b>				
Deposits and retentions payable	\$ -	\$ 42,745,514	\$ 42,745,514	\$ -
<b><u>TOTALS - ALL AGENCY FUNDS</u></b>				
<b>Assets</b>				
Pooled cash and investments	\$ 448,774	\$ 113,499,246	\$ 113,885,236	\$ 62,784
Delinquent taxes receivable	2,884,728	292,443	776,053	2,401,118
Total assets	\$ 3,333,502	\$ 113,791,689	\$ 114,661,289	\$ 2,463,902
<b>Liabilities</b>				
Deposits and retentions payable	\$ 3,333,502	\$ 113,791,689	\$ 114,661,289	\$ 2,463,902

# STATISTICAL SECTION



## STATISTICAL SECTION

This part of the City of Battle Creek's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health

<b>Contents</b>	<b>Page</b>
Financial Trends (schedules 1 thru 5)	102
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity (schedules 6 thru 28)	110
<i>These schedules contain information to help the reader assess the government's most significant local revenue sources: property taxes and water and wastewater usage fees.</i>	
Debt Capacity (schedules 29 thru 32)	133
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information (schedules 33 and 34)	137
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information (schedules 35 thru 38)	139
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF BATTLE CREEK**  
**Net Assets by Component**  
**Last Five Years**  
*(accrual basis of accounting)*

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 204,894,306	\$ 205,676,324	\$ 205,272,983	\$ 209,058,967	\$ 208,138,951
Restricted	16,593,282	11,246,239	6,909,177	5,837,903	7,861,430
Unrestricted	37,053,427	36,237,269	39,004,878	38,237,634	33,944,289
Total governmental activities net assets	<u>\$ 258,541,015</u>	<u>\$ 253,159,832</u>	<u>\$ 251,187,038</u>	<u>\$ 253,134,504</u>	<u>\$ 249,944,670</u>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$ 95,239,058	\$ 98,756,920	\$ 101,991,510	\$ 98,873,436	\$ 97,919,583
Unrestricted	32,629,898	24,014,234	20,923,570	20,617,951	21,418,649
Total business-type activities net assets	<u>\$ 127,868,956</u>	<u>\$ 122,771,154</u>	<u>\$ 122,915,080</u>	<u>\$ 119,491,387</u>	<u>\$ 119,338,232</u>
<b>Primary government</b>					
Invested in capital assets, net of related debt	\$ 300,133,364	\$ 304,433,244	\$ 307,264,493	\$ 307,932,403	\$ 306,058,534
Restricted	16,593,282	11,246,239	6,909,177	5,837,903	7,861,430
Unrestricted	69,683,325	60,251,503	59,928,448	58,855,585	55,362,938
Total primary government net assets	<u>\$ 386,409,971</u>	<u>\$ 375,930,986</u>	<u>\$ 374,102,118</u>	<u>\$ 372,625,891</u>	<u>\$ 369,282,902</u>

Source: City of Battle Creek Finance Department

## CITY OF BATTLE CREEK

### Changes in Net Assets

#### Last Five Years

*(accrual basis of accounting)*

	2003	2004	2005	2006	2007
<b>Expenses</b>					
Governmental activities:					
General government	\$ 7,775,052	\$ 8,285,242	\$ 8,251,417	\$ 10,138,832	\$ 12,354,963
Public safety	24,497,814	25,996,442	24,912,304	23,052,841	25,211,331
Public works	2,612,061	2,263,112	2,425,660	1,721,053	1,862,529
Highways and streets	9,916,209	10,799,830	10,253,704	10,648,811	10,947,131
Parks and recreation	7,212,347	6,879,916	10,103,614	7,528,251	6,098,967
Community development	2,199,310	2,834,085	2,871,471	2,602,331	3,033,185
Unallocated	1,975,812	-	-	-	-
Interest on long-term debt	1,171,284	1,130,642	1,099,030	1,079,398	1,103,096
Total governmental activities expenses	57,359,889	58,189,269	59,917,200	56,771,517	60,611,202
Business-type activities:					
Wastewater	13,587,398	14,090,224	14,103,654	14,598,187	14,492,263
Water	7,112,747	7,196,409	7,225,258	6,897,186	7,222,797
Public transit	4,046,023	4,064,196	3,887,041	3,724,879	3,762,533
Solid waste collection	2,068,331	2,103,397	2,184,244	2,292,562	2,437,238
Airport	1,653,490	1,666,592	1,841,153	1,991,606	2,094,172
Golf course	1,159,880	1,271,468	1,170,632	1,199,704	1,184,758
Parking	1,012,724	1,337,896	1,309,483	1,021,337	1,151,969
Economic development	118,006	260,693	218,028	764,690	180,870
Total business-type activities expenses	30,758,599	31,990,875	31,939,493	32,490,151	32,526,600
Total primary government expenses	88,118,488	90,180,144	91,856,693	89,261,668	93,137,802
<b>Program revenues</b>					
Governmental activities:					
Charges for services:					
General government	2,056,731	2,566,013	2,697,742	2,596,709	2,535,769
Public safety	2,310,934	2,245,589	1,842,771	1,927,079	1,926,202
Public works	223,024	248,740	344,638	152,295	111,494
Highways and streets	-	-	103	463	1,903
Parks and recreation	3,046,573	3,124,366	3,277,043	3,428,780	3,159,269
Community development	-	119,830	147,600	80,821	130,502
Unallocated	471,617	-	-	-	-
Operating grants and contributions	11,327,666	10,156,505	10,625,956	12,363,163	11,362,032
Capital grants and contributions	732,056	1,007,638	3,271,450	2,371,353	1,427,358
Total governmental activities program revenues	20,168,601	19,468,681	22,207,303	22,920,663	20,654,529
Business-type activities:					
Charges for services:					
Wastewater	10,198,910	9,975,535	10,265,249	9,726,868	10,992,780
Water	7,193,526	7,090,160	7,460,662	7,337,571	7,789,671
Public transit	384,833	391,899	392,458	398,011	356,902
Solid waste collection	2,139,311	2,171,931	2,249,615	2,250,880	2,516,122
Airport	1,006,380	1,096,801	1,070,586	1,083,875	1,124,816
Golf course	874,964	1,216,352	1,161,808	1,187,918	1,208,185
Parking	693,830	689,162	674,694	659,630	681,515
Economic development	336,865	163,715	332,903	330,893	497,066
Operating grants and contributions	2,604,918	2,837,617	2,567,262	2,408,957	4,756,705
Capital grants and contributions	959,388	1,333,423	4,909,860	2,696,895	794,260
Total business-type activities program revenues	26,392,925	26,966,595	31,085,097	28,081,498	30,718,022
Total primary government program revenues	46,561,526	46,435,276	53,292,400	51,002,161	51,372,551
<b>Net (Expense)/Revenue</b>					
Government activities	(37,191,288)	(38,720,588)	(37,709,897)	(33,850,854)	(39,956,673)
Business-type activities	(4,365,674)	(5,024,280)	(854,396)	(4,408,653)	(1,808,578)
Total primary government net expense	(41,556,962)	(43,744,868)	(38,564,293)	(38,259,507)	(41,765,251)

Continued...

**CITY OF BATTLE CREEK**  
**Changes in Net Assets (Concluded)**  
**Last Five Fiscal Years**  
*(accrual basis of accounting)*

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>General Revenues</b>					
Governmental activities:					
General revenues:					
Property taxes	\$ 12,375,964	\$ 12,764,779	\$ 13,579,207	\$ 14,580,358	\$ 15,322,115
Income taxes	11,664,194	12,679,119	13,942,683	14,450,183	14,226,870
Grants and contributions not restricted to specific programs	7,077,172	6,358,441	6,291,976	6,221,293	6,038,495
Unrestricted investment earnings	2,717,405	1,894,373	1,716,088	1,241,966	2,166,102
Transfers - internal activities	959,885	(357,307)	(619,138)	(695,480)	(986,742)
Total governmental activities	<u>34,794,620</u>	<u>33,339,405</u>	<u>34,910,816</u>	<u>35,798,320</u>	<u>36,766,840</u>
Business-type activities:					
Unrestricted investment earnings	1,844,066	(430,829)	379,185	289,480	668,682
Gain on sale of capital assets	554	-	-	-	-
Transfers - internal activities	(959,885)	357,307	619,138	695,480	986,742
Total business-type activities	<u>884,735</u>	<u>(73,522)</u>	<u>998,323</u>	<u>984,960</u>	<u>1,655,424</u>
Total primary government	<u>35,679,355</u>	<u>33,265,883</u>	<u>35,909,139</u>	<u>36,783,280</u>	<u>38,422,264</u>
<b>Change in Net Assets</b>					
Government activities	(2,396,668)	(5,381,183)	(2,799,081)	1,947,466	(3,189,833)
Business-type activities	(3,480,939)	(5,097,802)	143,927	(3,423,693)	(153,154)
Total primary government	<u>\$ (5,877,607)</u>	<u>\$ (10,478,985)</u>	<u>\$ (2,655,154)</u>	<u>\$ (1,476,227)</u>	<u>\$ (3,342,987)</u>

Source: City of Battle Creek Finance Department

**CITY OF BATTLE CREEK**  
**Fund Balances - Governmental Funds**  
**Last Five Years**  
*(modified accrual basis of accounting)*

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>General Fund</b>					
Reserved	\$ 783,191	\$ 341,345	\$ 142,656	\$ 195,796	\$ 580,445
Unreserved	<u>11,744,939</u>	<u>11,187,954</u>	<u>11,050,908</u>	<u>9,574,180</u>	<u>7,500,072</u>
Total general fund	<u>\$ 12,528,130</u>	<u>\$ 11,529,299</u>	<u>\$ 11,193,564</u>	<u>\$ 9,769,976</u>	<u>\$ 8,080,517</u>
 <b>All Other Governmental Funds</b>					
Reserved	\$ 2,421,271	\$ 2,185,167	\$ 2,304,993	\$ 2,232,709	\$ 2,411,576
Unreserved, reported in:					
Special revenue funds	5,269,042	4,485,357	3,126,389	2,714,722	2,074,998
Debt service funds	1,007,233	1,041,626	1,052,207	1,052,660	1,099,349
Capital projects funds	5,912,620	3,819,722	2,896,070	5,010,124	5,362,221
Permanent funds	<u>3,212,654</u>	<u>2,731,820</u>	<u>1,560,154</u>	<u>1,370,131</u>	<u>1,381,477</u>
Total all other governmental funds	<u>\$ 17,822,820</u>	<u>\$ 14,263,692</u>	<u>\$ 10,939,813</u>	<u>\$ 12,380,346</u>	<u>\$ 12,329,621</u>

Source: City of Battle Creek Finance Department

**CITY OF BATTLE CREEK**  
**Changes in Fund Balances - Governmental Funds (1)**  
**Last Ten Years**  
*(modified accrual basis of accounting)*

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<b>Revenues</b>					
Income taxes	\$ 12,773,076	\$ 13,106,057	\$ 13,175,710	\$ 12,816,147	\$ 11,268,853
Property taxes	11,030,082	11,339,692	11,580,675	12,062,629	12,124,480
Licenses and permits	909,554	1,149,311	1,102,395	1,159,829	1,139,760
Intergovernmental	15,217,030	15,036,558	14,881,845	15,994,041	16,936,207
Charges for services	2,810,421	3,199,131	3,406,102	3,399,540	4,998,638
Fines and forfeitures	353,938	331,828	291,643	314,206	271,352
Investment income	2,433,035	2,490,931	2,814,628	2,321,779	2,186,307
Other	4,039,367	4,160,814	2,992,563	3,540,096	3,817,817
Total revenues	<u>49,566,503</u>	<u>50,814,322</u>	<u>50,245,561</u>	<u>51,608,267</u>	<u>52,743,414</u>
<b>Expenditures</b>					
General government	6,444,438	7,284,862	8,076,320	6,943,680	8,547,701
Public safety	20,188,292	20,815,711	21,389,862	21,080,470	22,028,962
Public works	2,436,406	2,162,846	2,185,530	2,003,783	2,084,977
Highway and streets	3,829,679	4,153,923	3,631,821	4,308,684	8,098,240
Parks and recreation	6,860,737	5,113,834	5,547,823	4,552,923	5,732,642
Community development	1,928,748	2,400,630	1,671,874	2,541,710	2,384,841
Unallocated	725,711	1,050,544	1,287,802	1,791,237	2,107,582
Capital outlay	1,191,917	729,289	847,075	125,943	3,349,551
Debt service:					
Principal retirement	1,678,331	1,911,454	1,428,000	1,196,000	1,040,000
Interest	1,105,816	1,145,775	922,237	782,931	759,139
Total expenditures	<u>46,390,075</u>	<u>46,768,868</u>	<u>46,988,344</u>	<u>45,327,361</u>	<u>56,133,635</u>
Revenues over (under) expenditures	<u>3,176,428</u>	<u>4,045,454</u>	<u>3,257,217</u>	<u>6,280,906</u>	<u>(3,390,221)</u>
<b>Other financing sources (uses)</b>					
Issuance of bonds	1,300,000	995,000	-	-	10,000,000
Bond issuance costs	-	-	-	-	(202,494)
Proceeds from loan	-	-	-	-	312,656
Distribution of loan	-	-	-	-	(312,656)
Premium on bonds	-	-	-	-	-
Proceeds from sales of capital assets	-	353,878	289,098	350,429	646,279
Transfers in	4,585,664	5,369,029	3,978,870	3,353,227	5,020,295
Transfers out	(6,667,195)	(7,704,901)	(6,682,847)	(6,799,314)	(5,738,654)
Total other financing sources (uses)	<u>(781,531)</u>	<u>(986,994)</u>	<u>(2,414,879)</u>	<u>(3,095,658)</u>	<u>9,725,426</u>
<b>Net changes in fund balances</b>	<u>\$ 2,394,897</u>	<u>\$ 3,058,460</u>	<u>\$ 842,338</u>	<u>\$ 3,185,248</u>	<u>\$ 6,335,205</u>
Debt services as a percentage of noncapital expenditures	<u>6.2%</u>	<u>6.6%</u>	<u>5.1%</u>	<u>4.4%</u>	<u>3.4%</u>

(1) Includes general, special revenue and debt service funds through June 30, 2001; all governmental funds thereafter.

**Schedule 4**  
**UNAUDITED**

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 11,664,194	\$ 12,679,119	\$ 13,942,683	\$ 14,586,873	\$ 14,226,870
12,458,369	12,790,559	13,591,892	14,450,183	15,322,115
1,106,290	1,020,676	1,166,882	1,084,527	1,075,341
17,264,191	16,029,559	16,267,323	17,709,598	16,665,977
5,078,612	5,057,747	4,659,697	4,842,463	4,674,591
269,554	227,640	213,890	250,683	210,795
2,569,257	1,842,748	1,659,348	1,177,345	1,933,354
3,798,753	3,649,270	5,672,269	4,100,007	4,642,201
<u>54,209,220</u>	<u>53,297,318</u>	<u>57,173,984</u>	<u>58,201,679</u>	<u>58,751,244</u>
7,711,674	7,023,203	7,123,031	8,841,806	10,325,281
24,293,085	25,598,627	25,239,131	25,551,655	25,106,311
2,113,230	1,956,879	2,068,952	1,480,494	1,606,562
8,888,758	10,409,523	9,768,176	10,760,834	9,837,482
6,212,707	5,862,541	9,277,231	7,503,210	5,757,306
2,440,178	2,133,178	2,080,063	1,781,415	2,093,161
2,084,948	2,069,015	2,286,466	2,331,588	3,123,061
8,673,391	595,425	92,816	1,199,315	2,807,886
1,205,000	1,535,000	1,575,000	1,630,000	2,889,000
1,187,343	1,161,539	1,121,701	1,091,107	1,127,753
<u>64,810,314</u>	<u>58,344,930</u>	<u>60,632,567</u>	<u>62,171,424</u>	<u>64,673,803</u>
<u>(10,601,094)</u>	<u>(5,047,612)</u>	<u>(3,458,583)</u>	<u>(3,969,745)</u>	<u>(5,922,559)</u>
3,070,000	-	-	3,819,000	-
-	-	-	-	-
-	-	-	-	3,708,005
-	-	-	-	-
50,034	-	-	-	-
486,720	439,309	596,284	631,254	697,708
8,053,795	6,252,501	10,968,311	8,896,090	8,535,425
<u>(6,774,861)</u>	<u>(6,202,157)</u>	<u>(11,291,913)</u>	<u>(9,359,654)</u>	<u>(8,758,763)</u>
<u>4,885,688</u>	<u>489,653</u>	<u>272,682</u>	<u>3,986,690</u>	<u>4,182,375</u>
<u>\$ (5,715,406)</u>	<u>\$ (4,557,959)</u>	<u>\$ (3,185,901)</u>	<u>\$ 16,945</u>	<u>\$ (1,740,184)</u>
<u>4.3%</u>	<u>4.7%</u>	<u>4.5%</u>	<u>4.5%</u>	<u>6.5%</u>

**CITY OF BATTLE CREEK**  
**Changes in Fund Balances - General Fund**  
**Last Ten Years**

*(modified accrual basis of accounting)*

	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
<b>Revenues</b>					
Income taxes	\$ 12,773,076	\$ 13,106,057	\$ 13,175,710	\$ 12,816,147	\$ 11,268,853
Property taxes	10,857,680	11,194,524	11,477,762	11,669,181	12,123,163
Licenses and permits	909,554	1,149,311	1,102,395	1,159,829	1,139,760
Intergovernmental	7,288,705	7,487,847	7,666,588	8,105,478	8,921,503
Charges for services	1,612,085	3,199,131	3,406,102	3,399,540	3,171,193
Fines and forfeitures	353,938	331,828	291,643	314,206	271,352
Investment income	1,850,225	1,667,211	1,857,701	1,540,072	1,210,131
Loan collection and other	2,946,401	1,572,596	1,224,160	1,738,143	1,525,251
<b>Total revenues</b>	<b>38,591,664</b>	<b>39,708,505</b>	<b>40,202,061</b>	<b>40,742,596</b>	<b>39,631,206</b>
<b>Expenditures</b>					
General government	5,873,153	6,469,975	6,703,664	6,157,669	6,701,364
Public safety	20,188,292	20,815,711	21,389,862	21,080,470	21,529,192
Public works	2,436,406	2,162,846	2,185,530	2,003,783	2,084,977
Parks and recreation	4,469,149	4,830,242	4,719,790	4,372,559	4,089,332
Unallocated	725,711	1,050,544	1,287,802	1,791,237	2,043,309
Debt service:					
Principal retirement	-	189,912	275,000	180,000	-
Interest	-	62,387	72,100	11,995	-
<b>Total expenditures</b>	<b>33,692,711</b>	<b>35,581,617</b>	<b>36,633,748</b>	<b>35,597,713</b>	<b>36,448,174</b>
<b>Revenues over (under) expenditures</b>	<b>4,898,953</b>	<b>4,126,888</b>	<b>3,568,313</b>	<b>5,144,883</b>	<b>3,183,032</b>
<b>Other financing sources (uses)</b>					
Transfers in	1,388,550	1,458,843	1,386,289	1,097,463	-
Proceeds from notes	-	995,000	-	-	-
Sale of land and other assets	452,278	353,878	321,068	350,429	646,279
Transfers out	(5,477,339)	(6,223,792)	(5,470,893)	(5,140,788)	(4,617,982)
<b>Total other financing sources (uses)</b>	<b>(3,636,511)</b>	<b>(3,416,071)</b>	<b>(3,763,536)</b>	<b>(3,692,896)</b>	<b>(3,971,703)</b>
<b>Net changes in fund balances</b>	<b>\$ 1,262,442</b>	<b>\$ 710,817</b>	<b>\$ (195,223)</b>	<b>\$ 1,451,987</b>	<b>\$ (788,671)</b>

Source: City of Battle Creek Finance Department



**Schedule 5**  
**UNAUDITED**

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 11,664,194	\$ 12,679,119	\$ 13,942,683	\$ 14,450,183	\$ 14,226,870
12,375,964	12,764,779	13,579,207	14,580,358	15,322,115
1,106,290	1,020,676	1,166,882	1,084,527	1,075,341
8,244,720	7,572,346	7,701,623	7,804,482	7,814,021
3,192,006	3,212,899	2,522,682	2,518,560	2,436,074
269,554	227,640	213,890	250,683	210,795
1,953,088	1,646,768	1,474,106	1,047,649	1,408,071
1,567,952	1,965,889	1,849,970	1,700,687	1,607,005
<u>40,373,768</u>	<u>41,090,116</u>	<u>42,451,043</u>	<u>43,437,129</u>	<u>44,100,292</u>
6,837,935	6,713,395	6,655,187	6,835,195	7,100,784
22,707,325	24,658,069	23,855,387	24,207,356	24,691,224
2,113,230	1,956,879	2,068,952	1,480,494	1,606,562
4,383,243	4,057,445	4,349,374	4,155,768	4,013,727
1,986,340	1,976,171	2,022,281	2,082,499	2,871,545
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>38,028,073</u>	<u>39,361,959</u>	<u>38,951,181</u>	<u>38,761,312</u>	<u>40,283,842</u>
<u>2,345,695</u>	<u>1,728,157</u>	<u>3,499,862</u>	<u>4,675,817</u>	<u>3,816,450</u>
108,553	551,529	942,459	46,244	70,307
-	-	-	-	-
486,720	439,309	578,844	631,254	697,708
<u>(3,882,963)</u>	<u>(3,717,826)</u>	<u>(5,512,369)</u>	<u>(6,776,903)</u>	<u>(6,273,924)</u>
<u>(3,287,690)</u>	<u>(2,726,988)</u>	<u>(3,991,066)</u>	<u>(6,099,405)</u>	<u>(5,505,909)</u>
<u>\$ (941,995)</u>	<u>\$ (998,831)</u>	<u>\$ (491,204)</u>	<u>\$ (1,423,588)</u>	<u>\$ (1,689,459)</u>

**CITY OF BATTLE CREEK**  
**Assessed and Actual Value of Taxable Property**  
**Last Ten Years**  
*(in thousands of dollars)*

Fiscal Year Ended June 30,	Tax Year	Valued as of December 31,	(1) Total Assessed Value (S.E.V.)	Taxable Value					Total Direct Tax Rate	
				Real Property	Personal Property	Commercial Facilities	(2) Industrial Facilities	(2) Neighborhood		
								Enterprise Zone		Total
2007	2006	2005	\$ 1,813,627,641	\$ 1,299,114,195	\$ 335,958,442	\$ -	\$ 177,993,363	\$ 561,641	\$ 1,813,627,641	14.4760
2006	2005	2004	1,744,721,015	1,049,158,197	318,597,419	-	184,621,661	876,280	1,553,253,557	13.0000
2005	2004	2003	1,548,617,763	1,018,660,566	345,022,818	-	152,170,725	876,253	1,516,730,362	13.0000
2004	2003	2002	1,507,990,443	978,470,914	351,059,132	-	146,248,110	865,870	1,476,644,026	13.0000
2003	2002	2001	1,417,683,480	925,948,123	329,676,688	-	185,519,689	878,061	1,442,022,561	13.0000
2002	2001	2000	1,353,833,445	881,764,954	311,885,594	-	193,004,493	850,235	1,387,505,276	13.0000
2001	2000	1999	1,255,270,300	822,394,550	289,680,550	-	240,160,900	812,450	1,353,048,450	13.0000
2000	1999	1998	1,191,592,453	780,174,210	295,866,950	-	293,250,150	774,750	1,370,066,060	13.0000
1999	1998	1997	1,086,196,728	729,698,620	268,354,400	-	348,992,425	687,925	1,347,733,370	13.0310
1998	1997	1996	1,020,379,052	696,971,736	266,251,392	356,450	318,030,675	665,125	1,282,275,378	13.2670

**Notes:** Property in the City of Battle Creek is assessed every year representing approximately 50% of the actual value for all real and personal property.

Taxable value is the figure used to calculate property taxes. The taxable value is limited to annual increases of 5% or the State of Michigan Consumer Price Index, whichever is less, except if a property is sold. The assessed value becomes the taxable value in the year following a sale. Property taxes are levied July 1 of the succeeding fiscal year based on taxable values as of December 31.

(1) Assessed value is ad valorem property only and does not include tax abated properties (see #2 below).

(2) Represents current values of tax abated properties.

**CITY OF BATTLE CREEK**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Years**  
*(rate per \$1,000 of taxable value)*

Fiscal Year Ended June 30,	Levied July 1,	(1) City of Battle Creek			Battle Creek Public Schools	State Education Tax	Calhoun Intermediate School District	Kellogg Community College	District Library	County	Totals	
		Operating	Debt	Pension							Non- Homestead	(2) Homestead
2007	2006	11.2300	-	3.2460	20.0000	6.0000	6.2057	3.7106	2.0000	6.3713	58.7636	40.7636
2006	2005	11.2300	-	2.6910	20.0000	6.0000	6.2057	3.7106	2.0000	6.3713	58.2086	40.2086
2005	2004	10.4530	-	2.5470	20.0000	6.0000	6.2057	3.7106	2.0000	6.3713	57.2876	39.2876
2004	2003	10.1430	-	2.8570	20.0000	5.0000	6.2057	3.7106	2.0000	6.6513	56.5676	38.5676
2003	2002	11.3200	-	1.6800	20.0000	6.0000	6.0674	3.7106	2.0000	6.6713	57.4493	39.4493
2002	2001	11.1230	-	1.8770	20.0000	6.0000	6.0694	3.7106	2.0000	7.1961	57.9761	39.9761
2001	2000	10.9120	0.2270	1.8610	20.0000	6.0000	6.0760	3.7128	2.0000	7.2129	58.0017	40.0017
2000	1999	10.2470	0.4030	2.3500	20.0000	6.0000	6.1022	3.7128	2.0000	7.2129	58.0279	40.0279
1999	1998	9.8760	0.3020	2.8530	20.0000	6.0000	6.1022	3.7239	1.6000	7.2319	57.6890	39.6890
1998	1997	9.8760	0.4230	2.9680	20.0000	6.0000	6.1022	2.8739	1.6000	7.3819	57.2250	39.2250

(1) Approximately 2/3 of the City's taxable value is contained in Battle Creek School District. Four other school districts overlap into the geographical boundaries of the City. The millage rates for these other school districts are approximately equivalent to Battle Creek School District's.

(2) Passage of Proposal A in 1994 reduced operating millage for Michigan public schools to 18 mills for non-homestead properties and exempted homestead properties. Both homestead and non-homestead properties are subject to the State Education Tax of 6 mills as well as any debt service levy.

Source: City of Battle Creek Finance Department

**CITY OF BATTLE CREEK**  
**Principal Property Tax Payers**  
**Current Fiscal Year and Nine Years Ago**

Taxpayer	2007			1998		
	Taxable Value	Rank	Percentage of Total City Taxable Value	Taxable Value	Rank	Percentage of Total City Taxable Value
Kellogg Company	\$ 119,166,407	1	6.57%	\$ 298,939,350	1	23.31%
Denso Manufacturing	81,285,547	2	4.48%	61,034,300	2	4.76%
Kraft Foods Inc.	37,222,448	3	2.05%	50,301,675	3	3.92%
Consumer Energy Co.	20,355,331	4	1.12%	17,348,300	5	1.35%
Ralcorp Holdings Inc.	16,088,305	5	0.89%	20,057,000	4	1.56%
Semco Energy Inc.	13,976,366	6	0.77%	-	-	-
Lakeview Delaware	12,920,550	7	0.71%	-	-	-
TRMI Inc.	11,000,229	8	0.61%	12,464,300	8	0.97%
Michigan Carton & Paperboard	8,540,917	9	0.47%	16,298,800	6	1.27%
New AMI Inc	7,986,703	10	0.44%	10,774,400	10	0.84%
Pacific Coast Packaging	-		-	12,362,750	9	0.96%
II Stanley Co. Inc.	-		-	12,488,400	7	0.97%
	<u>\$ 328,542,803</u>		<u>18.12%</u>	<u>\$ 512,069,275</u>		<u>39.93%</u>

Source: City of Battle Creek Assessor's Office.

**CITY OF BATTLE CREEK**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

Year	Taxes Levied for the Fiscal Year		Collected within the		Subsequent Years Collections	Total Collections to Date				
			Fiscal Year of the Levy							
	Amount	% of Levy	Amount	% of Levy						
2007	\$	20,506,199	\$	19,403,324	94.62%	\$	1,102,875	\$	20,506,199	100.00%
2006		18,922,342		18,016,274	95.21%		906,068		18,922,342	100.00%
2005		18,605,060		17,672,508	94.99%		932,552		18,605,060	100.00%
2004		17,185,570		16,258,858	94.61%		926,712		17,185,570	100.00%
2003		16,268,282		15,315,963	94.15%		952,319		16,268,282	100.00%
2002		15,627,580		14,556,663	93.15%		1,070,917		15,627,580	100.00%
2001		14,444,440		13,472,398	93.27%		972,042		14,444,440	100.00%
2000		13,848,196		13,113,769	94.70%		734,427		13,848,196	100.00%
1999		13,053,529		12,112,586	92.79%		940,943		13,053,529	100.00%
1998		12,779,511		12,166,087	95.20%		613,424		12,779,511	100.00%

Source: City of Battle Creek Treasurer's Office

**CITY OF BATTLE CREEK, MICHIGAN**  
**Number of Water System Customers by User Class**  
**Last Ten Fiscal Years**

Type of User	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>In-City</b>										
Residential	15,743	15,762	15,144	15,123	15,173	15,164	15,150	15,132	15,004	15,001
Commerical (1)	1,795	1,807	1,753	1,792	1,770	1,759	1,747	1,749	1,762	1,777
Industrial	221	225	163	161	165	166	157	159	159	155
	<u>17,759</u>	<u>17,794</u>	<u>17,060</u>	<u>17,076</u>	<u>17,108</u>	<u>17,089</u>	<u>17,054</u>	<u>17,040</u>	<u>16,925</u>	<u>16,933</u>
<b>Outside City</b>										
Emmett Township	719	766	765	763	761	746	744	705	701	708
Bedford Township (2)	427	434	512	434	425	432	435	437	435	37
Springfield City	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk
Pennfield Township	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk
	<u>1,146</u>	<u>1,200</u>	<u>1,277</u>	<u>1,197</u>	<u>1,186</u>	<u>1,178</u>	<u>1,179</u>	<u>1,142</u>	<u>1,136</u>	<u>745</u>
<b>Totals</b>	<u>18,905</u>	<u>18,994</u>	<u>18,337</u>	<u>18,273</u>	<u>18,294</u>	<u>18,267</u>	<u>18,233</u>	<u>18,182</u>	<u>18,061</u>	<u>17,678</u>

(1) This class includes commercial and governmental users.

(2) Increase in 1999 applicable to Orchard Park addition.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Water System Customers by User Class as a Percent of Total**  
**Last Ten Fiscal Years**

Type of User	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>In-City</b>										
Residential	83.27%	82.98%	82.59%	82.76%	82.94%	83.01%	83.09%	83.23%	83.07%	84.86%
Commerical	9.49%	9.51%	9.56%	9.81%	9.68%	9.63%	9.58%	9.62%	9.76%	10.05%
Industrial	1.17%	1.18%	0.89%	0.88%	0.90%	0.91%	0.86%	0.87%	0.88%	0.88%
	93.94%	93.68%	93.04%	93.45%	93.52%	93.55%	93.53%	93.72%	93.71%	95.79%
<b>Outside City</b>										
Emmett Township	3.80%	4.03%	4.17%	4.18%	4.16%	4.08%	4.08%	3.88%	3.88%	4.00%
Bedford Township	2.26%	2.28%	2.79%	2.38%	2.32%	2.36%	2.39%	2.40%	2.41%	0.21%
Springfield City	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Pennfield Township	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	6.06%	6.32%	6.96%	6.55%	6.48%	6.45%	6.47%	6.28%	6.29%	4.21%
<b>Totals</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

**CITY OF BATTLE CREEK, MICHIGAN**  
**Water System Revenues by User Class**  
**Last Ten Fiscal Years**

Type of User	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>In-City</b>										
Residential	\$ 3,114,683	\$ 2,930,112	\$ 2,988,206	\$ 2,778,890	\$ 2,756,443	\$ 2,533,362	\$ 2,231,146	\$ 2,094,201	\$ 2,016,205	\$ 2,024,363
Commercial (1)	2,229,896	2,384,246	2,107,130	2,029,994	1,900,080	1,843,640	1,624,460	1,601,871	1,440,049	1,574,481
Industrial	1,775,531	1,458,381	1,534,992	1,569,500	1,620,398	1,427,598	1,312,635	1,401,659	1,526,993	1,694,215
	<u>7,120,110</u>	<u>6,772,739</u>	<u>6,630,328</u>	<u>6,378,384</u>	<u>6,276,921</u>	<u>5,804,600</u>	<u>5,168,241</u>	<u>5,097,731</u>	<u>4,983,247</u>	<u>5,293,059</u>
<b>Outside City</b>										
Emmett Township (2)	-	-	-	-	-	-	-	90,242	246,737	251,065
Bedford Township (2)	-	-	-	-	-	-	-	37,527	46,608	6,564
Springfield City	186,269	267,421	257,382	230,142	309,120	255,990	220,169	280,166	242,485	201,044
Pennfield Township	25,170	24,931	25,819	25,272	25,724	22,819	22,461	25,736	34,487	53,477
	<u>211,439</u>	<u>292,352</u>	<u>283,201</u>	<u>255,414</u>	<u>334,844</u>	<u>278,809</u>	<u>242,630</u>	<u>433,671</u>	<u>570,317</u>	<u>512,150</u>
<b>Totals</b>	<u>\$ 7,331,549</u>	<u>\$ 7,065,091</u>	<u>\$ 6,913,529</u>	<u>\$ 6,633,798</u>	<u>\$ 6,611,765</u>	<u>\$ 6,083,409</u>	<u>\$ 5,410,871</u>	<u>\$ 5,531,402</u>	<u>\$ 5,553,564</u>	<u>\$ 5,805,209</u>

(1) This class includes commercial and governmental users.

(2) Effective 11/1/99, Emmett and Bedford Townships residential revenues are included above in In-City Residential.



**CITY OF BATTLE CREEK, MICHIGAN**  
**Water System Revenues by User Class as a Percent of Total Revenue**  
**Last Ten Fiscal Years**

Type of User	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>In-City</b>										
Residential	42.48%	41.47%	43.22%	41.89%	41.69%	41.64%	41.23%	37.86%	36.30%	34.87%
Commercial (1)	30.42%	33.75%	30.48%	30.60%	28.74%	30.31%	30.02%	28.96%	25.93%	27.12%
Industrial	24.22%	20.64%	22.20%	23.66%	24.51%	23.47%	24.26%	25.34%	27.50%	29.18%
	97.12%	95.86%	95.90%	96.15%	94.94%	95.42%	95.52%	92.16%	89.73%	91.18%
<b>Outside City</b>										
Emmett Township (2)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.63%	4.44%	4.32%
Bedford Township (2)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.68%	0.84%	0.11%
Springfield City	2.54%	3.79%	3.72%	3.47%	4.68%	4.21%	4.07%	5.07%	4.37%	3.46%
Pennfield Township	0.34%	0.35%	0.37%	0.38%	0.39%	0.38%	0.42%	0.47%	0.62%	0.92%
	0	0	0	0	0	0	0	0	0	0
<b>Totals</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

(1) This class includes commercial and governmental users.

(2) Effective 11/1/99, Emmett and Bedford Townships residential revenues are included above in In-City Residential.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Water System Sales Volume by User Class (Cubic Feet)**  
**Last Ten Fiscal Years**

Type of User	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>In-City</b>										
Residential	132,922,943	122,288,785	135,354,475	137,407,639	147,477,690	143,389,790	145,687,089	150,082,516	151,173,776	144,442,234
Commercial (1)	109,436,923	113,556,377	108,753,474	112,195,110	121,130,023	114,554,365	115,717,957	125,688,340	130,291,866	123,655,135
Industrial	125,573,555	127,409,289	121,679,350	130,801,446	145,025,970	133,214,879	143,979,786	190,579,000	203,600,381	215,465,319
	367,933,421	363,254,451	365,787,299	380,404,195	413,633,683	391,159,034	405,384,832	466,349,856	485,066,023	483,562,688
<b>Outside City</b>										
Emmett Township	17,771,062	15,288,468	4,195,427	15,309,213	15,601,835	15,683,365	13,664,074	13,313,430	13,132,364	13,402,305
Bedford Township	1,001,180	3,602,107	4,560,943	3,778,467	3,640,246	3,868,998	3,808,655	3,562,447	3,522,107	306,639
Springfield City	19,956,511	20,754,525	21,277,255	21,227,255	21,616,262	20,611,891	21,051,942	30,787,488	26,646,743	22,092,761
Pennfield Township	2,700,500	2,937,600	3,165,700	3,099,600	3,418,800	2,882,400	2,911,900	3,431,500	4,598,300	7,130,229
	41,429,253	42,582,700	33,199,325	43,414,535	44,277,143	43,046,654	41,436,571	51,094,865	47,899,514	42,931,934
<b>Totals</b>	409,362,674	405,837,151	398,986,624	423,818,730	457,910,826	434,205,688	446,821,403	517,444,721	532,965,537	526,494,622

(1) This class includes commercial and governmental users.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Water System Sales Volume by User Class as a Percent of Total Sales (Cubic Feet)**  
**Last Ten Fiscal Years**

Type of User	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>In-City</b>										
Residential	32.47%	30.13%	33.92%	32.42%	32.21%	33.02%	32.61%	29.00%	28.36%	27.43%
Commercial	26.73%	27.98%	27.26%	26.47%	26.45%	26.38%	25.90%	24.29%	24.45%	23.49%
Industrial	30.68%	31.39%	30.50%	30.86%	31.67%	30.68%	32.22%	36.83%	38.20%	40.92%
	89.88%	89.51%	91.68%	89.76%	90.33%	90.09%	90.73%	90.13%	91.01%	91.85%
<b>Outside City</b>										
Emmett Township	4.34%	3.77%	1.05%	3.61%	3.41%	3.61%	3.06%	2.57%	2.46%	2.55%
Bedford Township	0.24%	0.89%	1.14%	0.89%	0.79%	0.89%	0.85%	0.69%	0.66%	0.06%
Springfield City	4.88%	5.11%	5.33%	5.01%	4.72%	4.75%	4.71%	5.95%	5.00%	4.20%
Pennfield Township	0.66%	0.72%	0.79%	0.73%	0.75%	0.66%	0.65%	0.66%	0.86%	1.35%
	10.12%	10.49%	8.32%	10.24%	9.67%	9.91%	9.27%	9.87%	8.99%	8.15%
<b>Totals</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

**CITY OF BATTLE CREEK, MICHIGAN**  
**Water Pumped and Sold (Cubic Feet)**  
**Last Ten Fiscal Years**

<u>Fiscal Year Ended June 30</u>	<u>Water Pumped</u>	<u>Percent Increase (Decrease)</u>	<u>Water Sold</u>	<u>Percent Increase (Decrease)</u>	<u>Water Sold as a % of Water Pumped</u>
2007	488,835,560	-3.42%	409,362,674	0.87%	83.74%
2006	506,143,048	0.11%	405,837,151	1.72%	80.18%
2005	505,578,877	-1.92%	398,986,624	-5.86%	78.92%
2004	515,498,663	-5.79%	423,818,730	-7.45%	82.22%
2003	547,204,560	2.25%	457,910,826	5.46%	83.68%
2002	535,185,830	-1.60%	434,205,688	-2.82%	81.13%
2001	543,913,102	-8.35%	446,821,403	-13.65%	82.15%
2000	593,451,872	-4.01%	517,444,721	-2.91%	87.19%
1999	618,247,326	-4.22%	532,965,537	1.23%	86.21%
1998	645,486,631	6.67%	526,494,622	0.17%	81.57%

**CITY OF BATTLE CREEK, MICHIGAN**  
**Water Revenue and Usage - Major Customers**  
**Fiscal Year Ended June 30, 2007**

Company	Product or Service	Consumption (Cu. Ft.)	% of Total	Revenue	% of Total
Kellogg (Plant)	Breakfast foods	44,681,089	10.91%	\$ 552,769	7.54%
Kraft Foods, Post Division	Breakfast foods	23,192,098	5.67%	271,348	3.70%
Denso Manufacturing Michigan, Inc.	Auto Parts	12,099,799	2.96%	110,626	1.51%
Battle Creek Health System	Medical services	4,709,900	1.15%	54,365	0.74%
Ralcorp Holdings, Inc	Breakfast foods	4,623,025	1.13%	88,148	1.20%
Michigan Carton & Paperboard	Paper mill	4,594,870	1.12%	40,748	0.56%
Kellogg (Research)	Breakfast Cereal	3,616,747	0.88%	52,028	0.71%
Cello-Foil Products Inc.	Food Packaging	2,892,637	0.71%	44,550	0.61%
City of Battle Creek - WWTP	Government	2,670,330	0.65%	35,063	0.48%
VA Laundry	Laundry	2,448,067	0.60%	31,958	0.44%
US Gov't Federal Center	Government	2,340,565	0.57%	36,545	0.50%
Rolling Hills Mobile Home Park	Mobile Homes	1,966,300	0.48%	27,100	0.37%
Rock-Tenn/Waldorf Corp	Paperboard	1,912,816	0.47%	32,265	0.44%
Calhoun County Justice Center	Jail/Courts	1,821,310	0.44%	25,152	0.34%
Johnson Controls	Automotive parts	1,675,369	0.41%	23,482	0.32%
Kellogg (Headquarters)	Breakfast Cereal	1,241,200	0.30%	4,120	0.06%
McCamly Plaza Hotel	Hotel	1,060,500	0.26%	16,328	0.22%
II Stanley	Automotive Parts	1,105,700	0.27%	17,896	0.24%
Gallaher Laundry	Laundry	967,200	0.24%	35,125	0.48%
Westbrook Place Apts.	Apartments	56,500	0.01%	11,920	0.16%
<b>Totals</b>		<b>119,676,022</b>	<b>29.23%</b>	<b>\$ 1,511,535</b>	<b>20.62%</b>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Current Water Rates (Beginning as of July 1, 2002)**

**Monthly Water Commodity Charge (1)**  
**(Fiscal Year Ending June 30)**

	2003	2004	2005	2006	2007
<u>Inside City</u>					
0 to 4,410,000	\$ 1.01	\$ 1.06	\$ 1.11	\$ 1.17	\$ 1.20
4,410,001 to 11,000,000	0.49	0.51	0.54	0.57	0.58
Over 11,000,000	0.74	0.78	0.82	0.86	0.88
<u>Outside City (bulk rate)</u>					
Pennfield Township	0.51	0.82	0.83	0.84	0.86
Springfield City	1.12	1.18	1.24	1.30	1.20

**Monthly Readiness-to-Serve Charge (2)**  
**(Fiscal Year Ending June 30)**

	2003	2004	2005	2006	2007
<u>Inside City</u>					
5/8"	\$ 5.80	\$ 6.09	\$ 6.39	\$ 6.71	\$ 6.88
3/4" or less	5.80	6.09	6.39	6.71	8.66
1"	9.86	10.35	10.86	11.41	12.22
1.5"	20.30	21.32	22.37	27.49	21.12
2"	38.86	40.80	42.81	44.96	31.80
3"	87.00	91.35	95.85	100.65	56.72
4"	156.60	164.43	172.53	181.17	92.32
6"	348.00	365.40	383.40	402.60	181.32
8"	580.00	609.00	639.00	671.00	288.12
10"	957.00	1,004.85	1,054.35	1,107.15	412.72
12" (4)					

**Monthly Fire Sprinkler Charges (3)**  
**(Fiscal Year Ending June 30)**

	2003	2004	2005	2006	2007
<u>Inside City</u>					
2"	\$ 4.33	\$ 4.55	\$ 4.78	\$ 5.01	\$ 5.14
3"	7.09	7.44	7.81	8.20	9.62
4"	10.24	10.75	11.29	11.85	16.05
6"	18.90	19.85	20.84	21.88	32.08
8"	34.65	36.38	38.20	40.11	51.35
10"	51.98	54.57	57.30	60.17	73.82

(1) Rate per 100 cubic feet.

(2) Rate based on meter size; Outside City rates are set by contract.

(3) Rate based on connection size; Outside City rates are set by contract.

(4) To be calculated at time of permit.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Number of Wastewater System Customers by User Class**  
**Last Ten Fiscal Years**

<b>Type of User</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
<b>In-City</b>										
Residential	16,738	16,761	16,854	16,288	16,304	16,382	16,383	16,388	16,389	16,408
Commerical (1)	1,756	1,798	1,808	1,744	1,753	1,760	1,740	1,748	1,758	1,766
Industrial	145	151	152	145	142	141	144	145	144	143
	<u>18,639</u>	<u>18,710</u>	<u>18,814</u>	<u>18,177</u>	<u>18,199</u>	<u>18,283</u>	<u>18,267</u>	<u>18,281</u>	<u>18,291</u>	<u>18,317</u>
<b>Outside City</b>										
Emmett Township	1,828	1,825	1,835	1,779	1,781	1,740	1,708	1,696	1,700	1,697
Bedford Township (2)	539	579	582	565	559	564	564	570	577	23
Springfield City	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk
Pennfield Township	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk
	<u>2,367</u>	<u>2,404</u>	<u>2,417</u>	<u>2,344</u>	<u>2,340</u>	<u>2,304</u>	<u>2,272</u>	<u>2,266</u>	<u>2,277</u>	<u>1,720</u>
<b>Totals</b>	<u>21,006</u>	<u>21,114</u>	<u>21,231</u>	<u>20,521</u>	<u>20,539</u>	<u>20,587</u>	<u>20,539</u>	<u>20,547</u>	<u>20,568</u>	<u>20,037</u>

(1) This class includes commercial and governmental users.

(2) Increase in 1999 applicable to Orchard Park addition.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Wastewater System Customers by User Class as a Percent of Total**  
**Last Ten Fiscal Years Ended June 30, 2007**

Type of User	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>In-City</b>										
Residential	79.68%	79.38%	79.38%	79.37%	79.38%	79.57%	79.77%	79.76%	79.68%	81.89%
Commerical	8.36%	8.52%	8.52%	8.50%	8.53%	8.55%	8.47%	8.51%	8.55%	8.81%
Industrial	0.69%	0.72%	0.72%	0.71%	0.69%	0.68%	0.70%	0.71%	0.70%	0.71%
	88.73%	88.61%	88.62%	88.58%	88.61%	88.81%	88.94%	88.97%	88.93%	91.42%
<b>Outside City</b>										
Emmett Township	8.70%	8.64%	8.64%	8.67%	8.67%	8.45%	8.32%	8.25%	8.27%	8.47%
Bedford Township	2.57%	2.74%	2.74%	2.75%	2.72%	2.74%	2.75%	2.77%	2.81%	0.11%
Springfield City	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Pennfield Township	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	11.27%	11.39%	11.38%	11.42%	11.39%	11.19%	11.06%	11.03%	11.07%	8.58%
<b>Totals</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%



**CITY OF BATTLE CREEK, MICHIGAN**  
**Wastewater System Revenues by User Class**  
**Last Ten Fiscal Years**

<b>Type of User</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
<b>In-City</b>										
Residential	\$ 3,376,960	\$ 2,761,007	\$ 2,811,084	\$ 2,772,893	\$ 2,709,184	\$ 2,660,562	\$ 2,736,605	\$ 2,822,317	\$ 2,944,037	\$ 2,947,902
Commercial (1)	2,058,448	1,783,669	1,941,867	2,011,039	2,091,895	4,004,457	2,203,387	4,637,862	4,756,430	4,682,374
Industrial	3,731,009	3,446,719	3,731,951	3,609,226	3,814,617	2,092,277	4,089,700	2,166,179	2,210,909	2,174,556
	<u>9,166,417</u>	<u>7,991,395</u>	<u>8,484,902</u>	<u>8,393,158</u>	<u>8,615,696</u>	<u>8,757,296</u>	<u>9,029,692</u>	<u>9,626,358</u>	<u>9,911,376</u>	<u>9,804,832</u>
<b>Outside City</b>										
Emmett Township (2)	681,049	587,939	623,282	574,372	565,512	581,042	474,961	548,813	525,324	533,130
Bedford Township (2)	208,199	241,027	172,512	173,777	156,851	163,932	381,230	379,931	394,547	404,770
Springfield City	377,544	395,862	379,616	335,050	373,633	358,720	344,925	360,560	357,106	354,650
Pennfield Township	404,821	379,492	380,497	386,898	365,038	373,633	150,557	160,551	151,382	282,236
	<u>1,671,613</u>	<u>1,604,320</u>	<u>1,555,907</u>	<u>1,470,097</u>	<u>1,461,034</u>	<u>1,477,327</u>	<u>1,351,673</u>	<u>1,449,855</u>	<u>1,428,359</u>	<u>1,574,786</u>
<b>Totals</b>	<u>\$ 10,838,030</u>	<u>\$ 9,595,715</u>	<u>\$ 10,040,809</u>	<u>\$ 9,863,255</u>	<u>\$ 10,076,730</u>	<u>\$ 10,234,623</u>	<u>\$ 10,381,365</u>	<u>\$ 11,076,213</u>	<u>\$ 11,339,735</u>	<u>\$ 11,379,618</u>

(1) This class includes commercial and governmental users.

(2) Effective 11/1/99, Emmett and Bedford Townships residential revenues are included above in In-City Residential.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Wastewater System Revenues by User Class as a Percent of Total Revenue**  
**Last Ten Fiscal Years**

Type of User	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>In-City</b>										
Residential	31.16%	28.77%	28.00%	28.11%	26.89%	26.00%	26.36%	25.48%	25.96%	25.91%
Commercial (1)	18.99%	18.59%	19.34%	20.39%	20.76%	39.13%	21.22%	41.87%	41.94%	41.15%
Industrial	34.43%	35.92%	37.17%	36.59%	37.86%	20.44%	39.39%	19.56%	19.50%	19.11%
	84.58%	83.28%	84.50%	85.10%	85.50%	85.57%	86.98%	86.91%	87.40%	86.16%
<b>Outside City</b>										
Emmett Township (2)	6.28%	6.13%	6.21%	5.82%	5.61%	5.68%	4.58%	4.95%	4.63%	4.68%
Bedford Township (2)	1.92%	2.51%	1.72%	1.76%	1.56%	1.60%	3.67%	3.43%	3.48%	3.56%
Springfield City	3.48%	4.13%	3.78%	3.40%	3.71%	3.50%	3.32%	3.26%	3.15%	3.12%
Pennfield Township	3.74%	3.95%	3.79%	3.92%	3.62%	3.65%	1.45%	1.45%	1.33%	2.48%
	15.42%	16.72%	15.50%	14.90%	14.50%	14.43%	13.02%	13.09%	12.60%	13.84%
<b>Totals</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

(1) This class includes commercial and governmental users.

(2) Effective 11/1/99, Emmett and Bedford Townships residential revenues are included above in In-City Residential.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Wastewater System Nine Year History of Volumes - Unaudited**

Fiscal Year Ended June 30,	Total Customers	Total Annual Amount of Sewer Treatment Sold (000,000's Gallons)	Total Annual Amount of Sewer Treated (000,000's Gallons)
2007	21,006	2,802	3,356
2006	21,114	3,115	3,450
2005	21,231	4,287	3,556
2004	20,521	3,874	3,506
2003	20,539	4,071	3,441
2002	20,587	3,412	3,881
2001	20,539	3,518	3,928
2000	20,547	3,685	4,030
1999	20,568	3,982	4,747

**CITY OF BATTLE CREEK, MICHIGAN**  
**Wastewater System Sales Volume by User Class (Cubic Feet)**  
**Last Ten Fiscal Years**

Type of User	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>In-City</b>										
Residential	129,484,615	125,601,626	123,417,582	125,022,045	123,915,476	130,375,450	128,255,231	128,282,507	126,422,885	143,915,251
Commercial (1)	94,077,325	103,331,052	92,006,080	96,810,569	95,602,782	95,565,835	97,735,031	99,577,990	98,953,998	124,884,532
Industrial	70,828,876	114,255,306	84,933,629	84,869,317	83,938,785	97,352,710	110,507,432	141,866,481	170,408,529	208,973,000
	<u>294,390,816</u>	<u>343,187,984</u>	<u>300,357,291</u>	<u>306,701,931</u>	<u>303,457,043</u>	<u>323,293,995</u>	<u>336,497,694</u>	<u>369,726,978</u>	<u>395,785,412</u>	<u>477,772,783</u>
<b>Outside City</b>										
Emmett Township	11,346,135	22,416,138	25,851,285	25,479,003	26,255,880	23,782,984	24,401,981	22,817,233	23,995,129	13,583,653
Bedford Township	3,176,176	7,141,993	7,251,759	6,967,764	6,945,184	7,460,413	6,957,095	6,991,208	2,552,162	267,159
Springfield City	17,077,626	17,858,390	17,822,333	17,191,832	16,500,091	17,133,860	18,318,679	18,648,271	18,708,921	26,440,601
Pennfield Township	18,438,800	15,795,100	18,974,550	18,841,131	17,263,203	16,211,301	16,676,437	17,311,150	17,272,255	7,519,281
	<u>50,038,737</u>	<u>63,211,621</u>	<u>69,899,927</u>	<u>68,479,730</u>	<u>66,964,358</u>	<u>64,588,558</u>	<u>66,354,192</u>	<u>65,767,862</u>	<u>62,528,467</u>	<u>47,810,694</u>
<b>Totals</b>	<u>344,429,553</u>	<u>406,399,605</u>	<u>370,257,218</u>	<u>375,181,661</u>	<u>370,421,401</u>	<u>387,882,553</u>	<u>402,851,886</u>	<u>435,494,840</u>	<u>458,313,879</u>	<u>525,583,477</u>

(1) This class includes commercial and governmental users.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Wastewater System Sales Volume by User Class as a Percent of Total Sales (Cubic Feet)**  
**Last Ten Fiscal Years Ended June 30, 2007**

Type of User	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>In-City</b>										
Residential	37.59%	30.91%	33.33%	33.32%	33.45%	33.61%	31.84%	29.46%	27.58%	27.38%
Commercial	27.31%	25.43%	24.85%	25.80%	25.81%	24.64%	24.26%	22.87%	21.59%	23.76%
Industrial	20.56%	28.11%	22.94%	22.62%	22.66%	25.10%	27.43%	32.58%	37.18%	39.76%
	85.47%	84.45%	81.12%	81.75%	81.92%	83.35%	83.53%	84.90%	86.36%	90.90%
<b>Outside City</b>										
Emmett Township	3.29%	5.52%	6.98%	6.79%	7.09%	6.13%	6.06%	5.24%	5.24%	2.58%
Bedford Township	0.92%	1.76%	1.96%	1.86%	1.87%	1.92%	1.73%	1.61%	0.56%	0.05%
Springfield City	4.96%	4.39%	4.81%	4.58%	4.45%	4.42%	4.55%	4.28%	4.08%	5.03%
Pennfield Township	5.35%	3.89%	5.12%	5.02%	4.66%	4.18%	4.14%	3.98%	3.77%	1.43%
	14.53%	15.55%	18.88%	18.25%	18.08%	16.65%	16.47%	15.10%	13.64%	9.10%
<b>Totals</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

**CITY OF BATTLE CREEK, MICHIGAN**  
**Wastewater Revenue and Usage - Major Customers**  
**Fiscal Year Ended June 30, 2007**

<u>Company</u>	<u>Product or Service</u>	<u>Consumption (Cu. Ft.)</u>	<u>% of Total</u>	<u>Revenue</u>	<u>% of Total</u>
Kellogg (Plant)	Breakfast foods	41,580,214	12.07%	\$ 1,318,253	12.16%
Michigan Carton & Paperboard	Paper mill	25,858,289	7.51%	736,869	6.80%
Kraft Foods/Post Division	Breakfast Cereal	14,600,267	4.24%	471,537	4.35%
Rock-Tenn/Waldorf Corp.	Paperboard	13,191,176	3.83%	417,842	3.86%
Denso Mnftg. Michigan, Inc.	Automotive parts	12,099,799	3.51%	104,063	0.96%
VA Hospital	Hospital Armstrong	6,717,600	1.95%	140,960	1.30%
Battle Creek Health Systems	Hospital	4,709,900	1.37%	71,697	0.66%
Ralcorp Holdings, Inc.	Breakfast Cereal	4,623,025	1.34%	98,182	0.91%
Kellogg - Research	Research	3,616,747	1.05%	66,033	0.61%
VA Laundry	Laundry Services	2,448,067	0.71%	51,049	0.47%
Federal Center	Government	2,340,565	0.68%	63,793	0.59%
Calhoun Co. Justice Center	Jail/Courts	1,821,310	0.53%	36,263	0.33%
Johnson Controls/Hi-Lex	Heating & Venting	1,675,369	0.49%	35,845	0.33%
River Oaks Apartments	Housing	1,649,998	0.48%	35,836	0.33%
McCamly Plaza Hotel	Hotel	1,060,500	0.31%	21,977	0.20%
Gallagher Laundry	Laundry Services	967,200	0.28%	19,380	0.18%
Innkeepers of Battle Creek	Hotel	725,100	0.21%	15,425	0.14%
Bedford Hills MHP	Mobile home park	631,051	0.18%	48,991	0.45%
<b>Totals</b>		<u>140,316,177</u>	<u>40.74%</u>	<u>\$ 3,753,995</u>	<u>34.64%</u>

(1) Consumption measured in Cubic Feet (M3).

**CITY OF BATTLE CREEK, MICHIGAN**  
**Largest Wastewater Customers**

Fiscal Year Ended June 30,	Kellogg Company		Michigan Carton & Paperboard		Kraft Foods/Post Division	
	Consumption	Revenue	Consumption	Revenue	Consumption	Revenue
2007	41,580,214	\$ 1,318,253	25,858,289	\$ 736,869	14,600,267	\$ 471,537
2006	48,061,497	1,181,361	26,485,294	654,208	22,767,379	570,754
2005	48,468,841	1,225,508	27,942,722	657,030	25,366,208	648,051
2004	48,347,026	1,185,451	29,798,717	736,869	24,533,913	593,986
2003	47,185,600	482,405	12,210,800	114,110	40,534,399	428,411
2002	51,283,300	489,581	9,257,700	95,413	37,645,952	380,223
2001	57,428,950	493,595	11,948,000	113,754	32,090,000	304,788
2000	82,290,550	590,816	12,778,000	120,647	30,355,000	289,448
1999	107,261,870	628,962	14,560,173	135,949	29,566,000	304,073
1998	115,139,000	622,540	15,000,000	140,916	34,264,000	308,958

Consumption measured in Cubic Feet (M3).

**CITY OF BATTLE CREEK, MICHIGAN**  
**Current Wastewater Rates (From 7/01/05 to 6/30/10)**

**Commodity Charge**

Date	Regular Commodity Rate (per ccf or 750 gallons)	Former Contract Commodity Rate (per ccf or 750 gallons)
Current	\$2.130	\$0.990
July 1, 2005 – June 30, 2006	\$2.106	\$1.194
July 1, 2006 – June 30, 2007	\$2.082	\$1.398
July 1, 2007 – June 30, 2008	\$2.058	\$1.602
July 1, 2008 – June 30, 2009	\$2.034	\$1.806
July 1, 2009 – June 30, 2010	\$2.010	\$2.010

**Monitoring Charge**

Date	Monitoring Charge (per sample)
Current	\$0.00
July 1, 2005 – June 30, 2006	\$17.96
July 1, 2006 – June 30, 2007	\$35.92
July 1, 2007 – June 30, 2008	\$53.88
July 1, 2008 – June 30, 2009	\$71.84
July 1, 2009 – June 30, 2010	\$89.80

**BOD and Suspended Solids Charges**

Date	BOD Charge (per pound)	Suspended Solids Charge (per pound)
Current	\$0.1050 or \$0.2200	\$0.0900 or \$0.1700
July 1, 2005 – June 30, 2006	\$0.1422	0.1915
July 1, 2006 – June 30, 2007	\$0.1460	0.1966
July 1, 2007 – June 30, 2008	\$0.1498	0.2016
July 1, 2008 – June 30, 2009	\$0.1536	0.2067
July 1, 2009 – June 30, 2010	\$0.1574	0.2118

**Sewer Customer Only (No Water Service)**

Customer is charged based on 750 cubic feet per month commodity charge, readiness to serve charge (same as outside City performing their own billing), and bill processing charge (below).

Date	Bill Processing Charge
Current	\$0.40
July 1, 2005 – June 30, 2006	\$0.72
July 1, 2006 – June 30, 2007	\$0.74
July 1, 2007 – June 30, 2008	\$0.76
July 1, 2008 – June 30, 2009	\$0.78
July 1, 2009 – June 30, 2010	\$0.81

**Readiness to Serve Charges**

**Inside City and Outside City Customers Billed by City**

Meter Size	Current	July 1, 2005 to June 30, 2006	July 1, 2006 to June 30, 2007	July 1, 2007 to June 30, 2008	July 1, 2008 to June 30, 2009	July 1, 2009 to June 30, 2010
5/8"	\$1.45	\$3.22	\$4.94	\$6.67	\$8.39	\$10.15
¾ "	\$1.45	\$3.22	\$5.75	\$8.29	\$10.82	\$13.39
1"	\$2.00	\$3.22	\$7.37	\$11.53	\$15.68	\$19.87
1.5"	\$3.40	\$3.22	\$11.42	\$19.63	\$27.83	\$36.07
2"	\$4.90	\$3.22	\$16.28	\$29.35	\$42.41	\$55.51
3"	\$11.20	\$3.22	\$27.62	\$52.03	\$76.43	\$100.87
4"	\$19.00	\$3.22	\$43.82	\$84.43	\$125.03	\$165.67
6"	\$37.55	\$3.22	\$84.32	\$165.43	\$246.53	\$327.67
8"	\$56.10	\$3.22	\$132.92	\$262.63	\$392.33	\$522.07
10"	\$75.50	\$3.22	\$189.62	\$376.03	\$562.43	\$748.87

**Outside City Performing Their Own Billing**

Meter Size	Current	July 1, 2005 to June 30, 2006	July 1, 2006 to June 30, 2007	July 1, 2007 to June 30, 2008	July 1, 2008 to June 30, 2009	July 1, 2009 to June 30, 2010
5/8"	\$0.00	\$0.00	\$1.62	\$3.24	\$4.86	\$6.48
¾ "	\$0.00	\$0.00	\$2.43	\$4.86	\$7.29	\$9.72
1"	\$0.00	\$0.00	\$4.05	\$8.10	\$12.15	\$16.20
1.5"	\$0.00	\$0.00	\$8.10	\$16.20	\$24.30	\$32.40
2"	\$0.00	\$0.00	\$12.96	\$25.92	\$38.88	\$51.84
3"	\$0.00	\$0.00	\$24.30	\$48.60	\$72.90	\$97.20
4"	\$0.00	\$0.00	\$40.50	\$81.00	\$121.50	\$162.00
6"	\$0.00	\$0.00	\$81.00	\$162.00	\$243.00	\$324.00
8"	\$0.00	\$0.00	\$129.60	\$259.20	\$388.80	\$518.40
10"	\$0.00	\$0.00	\$186.30	\$372.60	\$558.90	\$745.20



**CITY OF BATTLE CREEK**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Years**

Year	General Bonded Debt Outstanding			% of Personal Income	% of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Total			
2006	\$ 26,720,000	\$ 4,256	\$ 26,724,256	0.72%	1.47%	\$ 500.79
2005	28,924,000	4,298	28,928,298	0.78%	1.86%	542.09
2004	26,890,000	4,403	26,894,403	0.72%	1.77%	503.98
2003	28,610,000	4,585	28,614,585	0.77%	1.94%	536.22
2002	30,290,000	4,452	30,294,452	0.81%	2.10%	567.69
2001	29,095,000	4,662	29,099,662	0.80%	2.10%	545.31
2000	20,605,000	4,651	20,609,651	0.59%	1.52%	386.21
1999	22,015,000	17,236	22,032,236	0.63%	1.61%	410.29
1998	23,825,000	17,447	23,842,447	0.71%	1.77%	445.69
1997	22,855,000	17,654	22,872,654	0.69%	1.78%	427.56

Source: City of Battle Creek Finance Department

**CITY OF BATTLE CREEK**  
**Computation of Net Direct and Overlapping Debt**  
**As of June 30, 2007**

	(1) Net Debt Outstanding	Percentage Applicable to City of Battle Creek	Amount Applicable to City of Battle Creek
<b>Direct:</b>			
City issued bonded debt (2)	\$ 23,240,000	100.00%	<u>\$ 23,240,000</u>
<b>Overlapping:</b>			
Calhoun County	8,185,000	41.16%	3,368,946
Climax-Scotts School District	7,856,027	3.78%	296,958
Lakeview School District	52,075,000	100.00%	52,075,000
Pennfield School District	36,007,142	1.96%	705,740
Harper Creek School District	53,657,639	0.21%	112,681
Kellogg Community College	11,500,000	41.20%	<u>4,738,000</u>
			<u>61,297,325</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 84,537,325</u></u>

(1) Excludes self-supporting debt.

(2) Excludes discretely presented component unit.

Source: City of Battle Creek Finance Department and Municipal Advisory Council of Michigan.

**CITY OF BATTLE CREEK**  
**Legal Debt Margin**  
**Last Ten Fiscal Years**

State Equalized Value - ad valorem property	\$	1,635,072,637
State Equalized Value - tax abated property:		
Industrial Facilities		177,993,363
Neighborhood Enterprise Zone		561,641
		<hr/>
<b>Total State Equalized Value (SEV)</b>	<b>\$</b>	<b>1,813,627,641</b>
		<hr/>
Legal debt limit (10% of SEV)	\$	181,362,764
Outstanding debt subject to limitation	\$	117,230,790
Less exempt obligations		<hr/> (29,215,000)
	\$	<hr/> 88,015,790
<b>Legal debt margin</b>	<b>\$</b>	<b>93,346,974</b>
		<hr/>
<b>Debt subject to limitation as a percent of SEV</b>		<hr/> 4.85%
		<hr/>

<b>Fiscal Year</b>	<b>Debt Limit</b>	<b>Total Net Debt Applicable to Limit</b>	<b>Legal Debt Margin</b>	<b>Total Net Debt Applicable to Limit as a Percentage of Debt Limit</b>
2007	\$ 181,362,764	\$ 88,015,790	93,346,974	48.53% (A)
2006	174,472,102	83,450,407	91,021,695	54.84% (A)
2005	154,861,776	82,015,000	72,846,776	49.51% (A)
2004	150,799,044	77,135,000	73,664,044	46.57% (A)
2003	141,768,348	34,205,000	107,563,348	24.13%
2002	135,383,345	33,400,000	101,983,345	24.67%
2001	125,527,030	25,465,000	100,062,030	20.29%
2000	119,159,245	27,840,000	91,319,245	23.36%
1999	108,619,673	41,450,000	67,169,673	38.16%
1998	102,037,905	33,370,000	68,667,905	32.70%

(A) In 2004, the City refunded Downtown Development Authority bonds in the amount of \$55.265 million with a general obligation backing making the debt subject to the legal debt limit.

Source: City of Battle Creek Finance Department

**CITY OF BATTLE CREEK, MICHIGAN**  
**Water and Wastewater System Revenue Bond Coverage**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30,	(1) Gross Revenue	(2) Operating Expenses	Net Revenue Available for Debt Service	(3) Total Debt Service Requirement	Coverage
2007	\$ 19,479,210	\$ 14,712,942	\$ 4,766,268	\$ 2,140,741	2.23
2006	17,438,691	14,533,605	2,905,086	2,139,594	1.36
2005	18,128,410	14,075,713	4,052,697	2,039,225	1.99
2004	16,753,042	13,741,506	3,011,536	1,575,436	1.91
2003 (4)	18,914,844	13,409,060	5,505,784	1,447,312	3.80
2002	18,059,421	12,834,705	5,224,716	1,452,305	3.60
2001	6,285,322	4,639,956	1,645,366	1,428,910	1.15
2000	6,385,001	5,203,838	1,181,163	1,437,565	0.82
1999	6,234,314	5,083,581	1,150,733	1,299,578	0.89
1998	6,424,672	4,321,163	2,103,509	1,278,816	1.64

(1) Includes operating revenue, investment income and transfers from tax increment financing authorities. Such transfers will continue through the year ended June 30, 2011.

(2) Excludes depreciation expense.

(3) Includes principal and interest on revenue bonds only.

(4) Effective 7-1-01, the water and wastewater systems were legally combined; therefore, amounts prior to 2001-02 are for the water fund only.

**CITY OF BATTLE CREEK**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

<b>Year</b>		<b>Population</b>	<b>(b) Personal Income (thousands of dollars)</b>	<b>(b) Per Capita Personal Income</b>	<b>Unemployment Rate</b>
2007	(a)	53,364	\$ 3,719,430	\$ 26,778	7.50%
2006	(a)	53,364	3,719,430	26,778	7.50%
2005	(a)	53,364	3,719,430	26,778	7.50%
2004	(a)	53,364	3,719,430	26,778	8.00%
2003		53,364	3,719,430	26,778	8.20%
2002		53,364	3,636,736	26,213	7.10%
2001		53,364	3,500,169	25,292	6.10%
2000		53,699	3,471,425	25,138	4.90%
1999		53,496	3,375,735	24,458	4.40%
1998		53,496	3,309,346	24,019	4.30%

(a) Reflects most recent data available.

(b) Battle Creek MSA data.

Sources: U.S. Census Bureau, U.S. Department of Commerce  
Michigan Department of Career Development Employment Service Agency  
Michigan Economic Development Corporation

**CITY OF BATTLE CREEK**  
**Principal Employers**  
**Curent Year and Nine Years Ago**

<u>Employer</u>	<u>2007</u>			<u>1998</u>		
	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>
Denso Manufacturing Michigan, Inc.	2,700	1	10.39%	1,500	3	6.23%
Kellogg Company	2,300	2	8.85%	3,355	1	13.93%
Federal Center	1,800	3	6.93%	1,252	5	5.20%
Battle Creek Health System	1,554	4	5.98%	1,678	2	6.97%
Veterans Administration Medical Center	1,150	5	4.43%	529	10	2.20%
Battle Creek Public Schools	1,300	6	5.00%	1,183	6	4.91%
Il Stanley Company, Inc	780	7	3.00%	668	8	2.77%
Kraft Foods, Post Division	650	8	2.50%	1,292	4	5.36%
Felpausch Food Centers	700	9	2.69%	-	-	-
City of Battle Creek	580	10	2.23%	775	7	3.22%
Tokai Rika USA, Inc.	-	-	-	655	9	2.72%
	<u>13,514</u>		<u>52.01%</u>	<u>12,887</u>		<u>53.50%</u>

Source: City of Battle Creek

**CITY OF BATTLE CREEK**  
**Full-Time Equivalent Employees by Function/Program**  
**Last Ten Years**

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>General Fund and Special</b>										
<b>Revenue Funds</b>										
Administration	23	24	28	25	26	25	22	22	25	25
Community development	22	22	22	19	30	31	29	27	33	34
Finance	41	41	32	31	31	28	27	27	27	26
Police department	184	192	182	177	152	145	139	132	132	133
Fire department	102	104	101	92	121	118	118	115	115	115
Public Works	80	80	77	78	75	72	74	70	73	68
Parks and recreation	23	25	24	19	19	17	13	11	10	10
	<u>475</u>	<u>488</u>	<u>466</u>	<u>441</u>	<u>454</u>	<u>436</u>	<u>422</u>	<u>404</u>	<u>415</u>	<u>411</u>
<b>Enterprise Funds</b>										
W.K. Kellogg airport	8	9	9	9	9	10	10	10	9	10
Battle Creek transit system	38	46	45	45	44	43	43	43	39	38
Sewer and wastewater plant	61	59	64	64	71	71	69	67	66	66
Water	67	65	58	58	50	47	47	46	43	46
	<u>174</u>	<u>179</u>	<u>176</u>	<u>176</u>	<u>174</u>	<u>171</u>	<u>169</u>	<u>166</u>	<u>157</u>	<u>160</u>
<b>Internal Service Funds</b>										
Information systems	5	9	9	10	10	10	10	8	9	10
Equipment center	20	20	20	19	18	18	19	18	18	16
Self insurance	4	4	4	4	4	4	4	4	4	3
Reproduction and stores	4	4	4	4	4	4	4	4	4	4
	<u>33</u>	<u>37</u>	<u>37</u>	<u>37</u>	<u>36</u>	<u>36</u>	<u>37</u>	<u>34</u>	<u>35</u>	<u>33</u>
<b>Total</b>	<u><u>682</u></u>	<u><u>704</u></u>	<u><u>679</u></u>	<u><u>654</u></u>	<u><u>664</u></u>	<u><u>643</u></u>	<u><u>628</u></u>	<u><u>604</u></u>	<u><u>607</u></u>	<u><u>604</u></u>

Source: City of Battle Creek Finance Department

**CITY OF BATTLE CREEK**  
**Operating Indicators by Function/Program**  
**Last Two Fiscal Years**

<b>Function/Program</b>	<b>2007</b>	<b>2006</b>
<b>Public Safety</b>		
Police		
Number of incidents	50,458	55,366
Number of crash reports	1,992	2,308
Fire		
Number of incidents	5,752	5,538
Number of medical calls	3,971	3,709
Number of structural fires	89	186
<b>Public Works</b>		
Major street miles maintained	90.58	90.58
Local street miles maintained	204.70	204.32
<b>Culture &amp; Recreation</b>		
Participation:		
Softball	1,893	1,671
Soccer	674	732
Baseball	1,167	2,328
Basketball	105	435
Floor Hockey	210	1,237
Football	182	155
Other	2,169	1,365
Aquatic center participation	128,000	138,000
Rounds of Golf	49,100	48,000
Parks maintained	32	28
Number of Linear Park trail miles	25	24
<b>Building Permits</b>		
Commerical and Industrial		
Number of Permits	69	56
Dollar Value	\$ 21,868,619	\$ 16,336,269
Residential		
Number of Permits	538	321
Dollar Value	\$ 19,095,837	\$ 24,074,807
Totals		
Number of Permits	607	377
Dollar Value	\$ 40,964,456	\$ 40,411,076

Source: City of Battle Creek Finance Department



**CITY OF BATTLE CREEK**  
**Capital Asset Statistics by Function/Program**  
**Current Year**

Function/Program	2007	2006
<b>Police</b>		
Vehicle patrol units:		
Police patrol	42	46
Detective	11	15
Other	36	20
<b>Fire</b>		
Fire vehicle units:		
Trucks	2	2
Engines	8	9
Other	11	12
Fire Stations	5	5
Administrative Facilities	1	1
<b>Parks and Recreation</b>		
Parks:		
Parkland acreage	1,028	1,200
Natural area acreage	344	200
Picnic area	15	15
Buildings:		
Log cabins	1	1
Recreation center	1	1
Fishing structures	13	3
Pavilions	12	12
Concession	4	4
Swimming beach areas		
Golf Courses:		
27 hole course	1	1
Trails:		
Nature	1	1
Multiuse	1	1
Playgrounds	22	22
Water Areas:		
Water parks	1	1
Spray play feature	3	1
<b>Public Works</b>		
Major street miles maintained	90.58	90.58
Local street miles maintained	204.70	204.32
Vehicles:		
Dump trucks	47	47
Heavy equipment	28	22
Other	201	240

Source: City of Battle Creek Finance Department

**CITY OF BATTLE CREEK**  
**Schedule of Insurance**  
**As of June 30, 2007**

Type of Coverage Name of Company	Policy Expiration Date	Premium	Description
Airport Liability	7/1/08	\$21,850.00	\$50,000,000 CSL each occ.; ded. \$1,000 per occ./\$10,000 agg., \$50,000,000 per aircraft/occ Hangar Keepers liability. Terrorism declined.
Auto Liability (Except Buses)	6/25/08	N/A	Self-insured for 1st \$1 million(PIP SIR is equal to MCCA threshold, \$375,000 this year, increases to \$400,000 10-1-06), must renew certification with Assigned Claims Fund each year, by June 25th.
Auto Physical Damage (except Buses)	6/1/08	Included in Property Insurance	Stated amount coverage on all but transit vehicles, with over-the-road physical damage deductible of \$50,000 on fire trucks except \$100,000 on two largest fire trucks, and \$25,000 on all other vehicles. Deductibles are on per occurrence basis.
Boiler & Machinery	6/1/08	\$14,750.00	\$100,000,000 Property limit, subject to \$50,000 per occ. ded., \$10,000,000 E&O lim
Crime Coverage	7/1/08	\$4,742 \$1,155 Treasurer's Bond	Employee dishonesty \$1,000,000 per loss, with \$10,000 ded.; forgery \$50,000 with \$1,000 ded., blanket limits, \$500,000 on Treasurer.
Data Processing Equipment	6/1/08	Included in Property Insurance	Blanket coverage for equipment on premises, blanket coverage for data/media and extra expense coverage, subject to ded. on mechanical breakdown and other perils.
Emergency Care Services (First Responder Prof. Liability)	7/1/08	\$5,278.13 including surplus lines tax, policy fee	\$1,000,000/claim/general aggregate \$250 deductible each claim.
Employee Benefits Liability	N/A	N/A	See Excess Liability, for losses above \$1,000,000 SIR.
Employment Practices Liability Insurance	N/A	N/A	See Excess Liability, for losses above \$1,000,000 SIR.
Excess Liability (first layer)	10/1/07	\$217,385.00 (includes broker's fee)	\$5,000,000 each occ. and/or wrongful act \$5,000,000 aggregate limit for Personal Inj, Products/Completed Operations and Public Officials E&O combined. Subject to \$1,000,000 per occ/wrongful act, and \$2,500,000 Annual Aggregate SIR. Terrorism rejected. Does not apply to Airport Liability. Excess of all primary limits, subject to SIR on any self-insured primary exposures.

**CITY OF BATTLE CREEK**  
**Schedule of Insurance**  
**As of June 30, 2007**

Type of Coverage Name of Company	Policy Expiration Date	Premium	Description
Excess Liability (2nd layer)	10/1/07	\$51,110.00 (including surplus lines taxes & fees, broker's fee)	\$5,000,000 excess of Clarendon's \$5,000,000 layer. Does not apply to Transit Operations.
Garage Liab. (Ambulance Repairs)		no longer applicable	
Inland Marine	6/1/08	Included in Property Insurance	Coverage on fine arts, contractors equipment(ACV), communications equipment, including dispatch equipment and towers.
Liquor Liability Binder Park Golf	3/8/08	\$1,766.00 (including surplus lines tax, fees)	\$1,000,000 each common cause/annual aggregate limit. No deductible. Note: License in name of Cereal City Development Corporation.
Police Professional Liability	N/A	N/A	See Excess Liability, for losses above \$1 million SIR.
Property Insurance	6/1/08	\$192,297.00	All Risk coverage on real property, personal property, business interruption, extra expense, earthquake & flood, and vehicle physical damage, with \$200,000,000 per occ loss limit on real property, \$50,000,000 limit on flood and earthquake, with other special sublimits. \$5,000,000 E&O limit. \$200,000,000 terrorism coverage included. \$40,000 basic All Perils deductible.
Pollution Liability	N/A	N/A	Note: Finance department files for self- insured authority with State, for UST liability.
Public Officials	N/A	N/A	See Excess Liability , for losses above \$1 million SIR.
Transit (Physical Damage)	6/1/08	Included in Property Insurance	Stated amount coverage on all transit vehicles, with over-the-road physical damage deductibles of \$10,000 on handi-vans, \$50,000 on large busses. Deductible on per-occurrence basis.
Transit (Liability)	N/A	Primary Policy non- renewed 4-1-05	Note: See 1st Layer of excess coverage (\$5 million) for losses excess of \$1 million (PIP excess of \$375,000) SIR. 2nd Layer of excess does not apply to Transit.
Warehouse (Liability)	N/A	No longer applicable BCTIFA owns	None

**CITY OF BATTLE CREEK**  
**Schedule of Insurance**  
**As of June 30, 2007**

<b>Type of Coverage Name of Company</b>	<b>Policy Expiration Date</b>	<b>Premium</b>	<b>Description</b>
Worker's Comp. (Primary)	6/30/10	N/A	Note: If requested by W.C. bureau, must update self-insured certification by July 1st. Also, must notify if any changes in excess coverage, or TPA.
Worker's Comp. (Excess)	7/1/08	Estimated/Minimum Premium \$25,895.00	Statutory limit, \$1,000,000 Employers Liability, Specific Excess subject to \$650,000 S.I.R. for Police/Fire, all other emp \$600,000 per accident or disease. No agg. limit on S.I.R. per year.
Emergency Dispatch Liability	N/A	N/A	See Excess Liability, for losses above \$1 million.
Liquor Liability Except Binder Park	N/A	N/A	None - See separate policy for Binder Park

**CITY OF BATTLE CREEK,  
MICHIGAN**

**SINGLE AUDIT**

**For the Year Ended June 30, 2007**



**REHMANN ROBSON**

*Certified Public Accountants*

**CITY OF BATTLE CREEK, MICHIGAN  
SINGLE AUDIT**

**TABLE OF CONTENTS**

**YEAR ENDED JUNE 30, 2007**

---

	<b><u>PAGE</u></b>
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	1-2
Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 .....	3-5
Schedule of Expenditures of Federal Awards .....	6-7
Notes to Schedule of Expenditures of Federal Awards .....	8
Schedule of Findings and Questioned Costs .....	9-11

\* \* \* \* \*



**REHMANN ROBSON**

*Certified Public Accountants*

*A member of* **THE REHMANN GROUP**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

November 20, 2007

Honorable Mayor and Members  
of the City Commission  
City of Battle Creek, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **CITY OF BATTLE CREEK, MICHIGAN** (the "City") as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control over financial reporting. We consider the deficiency described in the accompanying schedule of finding and questioned costs as item 2007-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, the governing board, management, others within the organization, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.





**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**

 an independent member of  
**BAKER TILLY**  
INTERNATIONAL

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

November 20, 2007

Honorable Mayor and Members  
of the City Commission  
City of Battle Creek, Michigan

**Compliance**

We have audited the compliance of the **CITY OF BATTLE CREEK, MICHIGAN** (the "City") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

### **Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Battle Creek, Michigan* as of and for the year ended June 30, 2007, and have issued our report thereon dated November 20, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the City Commission, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

**City of Battle Creek**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2007**

<b>Federal/Pass-through Grantor Program Title</b>	<b>CFDA Number</b>	<b>Federal / Pass-through Grantor Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>			
Direct Programs:			
Community Development Block Grant:	14.218		
Program year 2001/02		B-01-MC-26-0002	\$ 64,010
Program year 2004/05		B-04-MC-26-0002	123,423
Program year 2005/06		B-05-MC-26-0002	635,558
Program year 2006/07		B-05-MC-26-0002	680,987
Total Community Development Block Grant			<u>1,503,978</u>
Home Investment Partnership Program:	14.239		
Program year 2002/03		M-02-MC-26-0203	42,077
Program year 2003/04		M-03-MC-26-0203	130,022
Program year 2004/05		M-04-MC-26-0203	9,166
Program year 2005/06		M-05-MC-26-0203	108,738
Program year 2006/07		M-06-MC-26-0203	169,928
Total Home Investment Partnership Program			<u>459,931</u>
Passed through the Battle Creek Housing Commission - Public and Indian Housing Drug Elimination	14.854		<u>80,701</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>2,044,610</u>
<b>U.S. Department of Justice</b>			
Direct Programs:			
Local Law Enforcement Block Grant - Program year 2004/06	16.592	2004-LB-BX-1238	<u>34,527</u>
Edward Byrne Memorial Justice Assistance Grant (JAG):	16.738		
Program year 2004/2008		2005-DJ-BX-0666	64,749
Program year 2005/2009		2006-DJ-BX-0446	3,601
Total JAG Grants			<u>68,350</u>
COPS Secure Our Schools - Battle Creek Public Schools	16.710	2005-CK-WX-0552	<u>28,981</u>
Bullet Proof Vest grant program Program year 2006	16.607	2004-LB-BX-1238	<u>4,043</u>
Passed through Grand Valley State University:			
Community Prosecution and Project Safe Neighborhoods:			
Project Safe Neighborhoods	16.609	4-24001	4,735
Project Safe Neighborhood - Anti-Gang Initiative	16.609	209832	<u>19,333</u>
Total Project Safe Neighborhood Grants			<u>24,068</u>

Continued...

**City of Battle Creek**  
**Schedule of Expenditures of Federal Awards (Concluded)**  
**For the Year Ended June 30, 2007**

<b>Federal/Pass-through Grantor Program Title</b>	<b>CFDA Number</b>	<b>Federal / Pass-through Grantor Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Justice (concluded):</b>			
Passed through the Substance Abuse Council of Greater Battle Creek -			
Weed and Seed Program:	16.595		
Program year 2005-06		2004-WS-Q4-1054	\$ 16,983
Program year 2005-06 - supplemental		2005-WS-Q5-0137	44,851
Total Weed and Seed Program			<u>61,834</u>
<b>Total U.S. Department of Justice</b>			<u>221,803</u>
<b>U.S. Department of Transportation</b>			
Direct Programs:			
Federal Transit Capital and Operating Assistance (Section 5307):	20.507		
Capital 2005		MI-90-X478-00	48,898
Operating 2007		MI-90-X526-00	817,889
Total Capital, Planning, and Operating Assistance			<u>866,787</u>
Federal Transit Capital Investment Grants			
Bus Purchase (Section 5309)	20.500	MI-04-0003-00	880,131
Fare Box and Data Collection System (Section 5309)		MI-90-X195-00	7,436
Total Federal Transit Capital Investment Grants			<u>887,567</u>
Passed through the Michigan Department of Transportation:			
Highway Planning & Construction Grants - Transportation Enhancement -			
McCamly Bridge (Federal Item #YY 0294, Job # 83571)	20.205	06-5191	<u>231,000</u>
<b>Total U.S. Department of Transportation</b>			<u>1,985,354</u>
<b>Environmental Protection Agency</b>			
Passed through the Michigan Department of Environmental Quality:			
Nonpoint Source Implementation Grant - Police Department Roof	66.460	2004-0152	691
Capitalization Grants for Drinking Water State Revolving Funds:	66.468		
Program year 2006/07			<u>32,862</u>
<b>Total Environmental Protection Agency</b>			<u>33,553</u>
<b>U.S. Department of Homeland Security</b>			
Passed through the Michigan Department of State Police:			
2004 RRTN - equipment pass through	97.004		66,394
2005 Homeland Security Grant Program - LETPP	97.067		78,428
2005 Homeland Security Grant Program - SHSP	97.067		103,535
2006 Homeland Security Grant Program - SHSP	97.067		4,698
Disaster Grant, Public Assistance	97.036	FEMA-3225-EM	10,739
Emergency Management Performance Grants:			
Program year 2005/06	97.042		8,381
Program year 2006/07	97.042		<u>24,772</u>
<b>Total U.S. Department of Homeland Security</b>			<u>296,947</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 4,582,267</u></u>

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Schedule Of Expenditures Of Federal Awards

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### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards programs of the City of Battle Creek, Michigan (the "City"). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The City of Battle Creek reporting entity is defined in Note 1 of the City's basic financial statements.

### 2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 of the City's basic financial statements.

### 3. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

<b>Program Title</b>	<b>Federal CFDA Number</b>	<b>Amount Provided to Subrecipients</b>
Community Development Block Grant	14.218	\$ 378,801
HOME Investment Partnership Program	14.239	459,931
Community Prosecution and Project Safe Neighborhoods	16.609	15,365
COPS- Secure Our Schools	16.710	28,981
Weed and Seed	16.595	12,000
Edward Byrne Memorial Justice Assistance Grant	16.738	61,328

\* \* \* \* \*

# CITY OF BATTLE CREEK, MICHIGAN

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2007

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### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes X no

Significant deficiency(ies) identified  
not considered to be material weaknesses? X yes \_\_\_\_\_ none reported

Noncompliance material to financial statements  
noted? \_\_\_\_\_ yes X no

#### Federal Awards

Internal Control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes X no

Significant deficiency(ies) identified  
not considered to be material weaknesses? \_\_\_\_\_ yes X none reported

Type of auditors' report issued on compliance  
for major programs: Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section 510(a)? \_\_\_\_\_ yes X no

# CITY OF BATTLE CREEK, MICHIGAN

## Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2007

### SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.500 and 20.507	Federal Transit Cluster
20.205	Highway Planning and Construction

Dollar threshold used to distinguish  
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   yes        no

### SECTION II – FINANCIAL STATEMENT FINDINGS

2007-1 Water and Wastewater Fund Receivables

**Criteria:** It is expected that the City should, on a regular basis, accurately calculate and record water and wastewater receivables and allowance for doubtful accounts.

**Condition:** During our testing of water and wastewater usage receivables, we noted that the City had a receivable balance of \$459,667 for accounts older than 120 days (some of which were far older than 120 days) for which collection activity is not clearly documented. Certain of these accounts have been sent to an outside collection agency and others may have been approved for write off, but there is no clear audit trail to document the actions taken relative to specific accounts.

Also, the City does not have adequate accounting procedures and controls for those accounts sent to collection. That is, when an account is sent to the collection agency, the City supposedly removes the receivable from its accounting records and then, if and when any amounts are remitted from the agency, the cash receipt is recorded. In doing so, the City has no accounting control over the receivables and over the amounts actually collected and remitted by the third party agency.



# **CITY OF BATTLE CREEK, MICHIGAN**

## **Schedule of Findings and Questioned Costs (Concluded)**

**For the Year Ended June 30, 2007**

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**Cause:** The City's utility billing software, either in its structure, configuration and/or use, is unable to properly track the receivables activity and the City's policies over utility billing receivables, as expressed in its ordinances, are ineffective.

**Effect:** The accuracy of the water and wastewater fund receivables and related allowances may be significantly misstated throughout the year until thoroughly analyzed and adjusted at year end. Also, under current procedures, the City does not know if amounts collected and remitted by the collection agency are properly received and recorded.

**View of  
Responsible**

**Officials:** The City concurs with the finding and is in the process of evaluating its internal policies and procedures, as well as the software systems.

### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

### **SECTION IV – PRIOR YEAR FINDINGS**

2006-1 Suspension and Debarment

66.460 - Nonpoint Source Implementation Grant

97.004 - Homeland Security Grant Program

Last year, the City was cited for not having procedures to verify that vendors were not suspended or debarred. The City has since established adequate procedures for appropriate verification; finding is resolved.

\* \* \* \* \*



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



November 20, 2007

To the City Commissioners of the  
City of Battle Creek  
Battle Creek, Michigan

We have audited the financial statements of the City of Battle Creek for the year ended June 30, 2007, and have issued our report thereon dated November 20, 2007. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133**

As stated in our engagement letter dated June 26, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the City of Battle Creek's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the City of Battle Creek's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City of Battle Creek's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the City of Battle Creek's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City of Battle Creek's compliance with those requirements.

**Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Battle Creek are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City of Battle Creek during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

**Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the liability for uninsured risks of loss, including incurred but not reported claims, which are accounted for in certain of the City's self-insurance internal service fund. We relied upon the work of the City's third-party administrator and internal risk manager for the estimated liabilities on reported claims and the work of the City's internal risk manager for the calculation of the estimated liabilities for incurred but not reported claims based on GASB Statement No. 10, as amended by GASB Statement No. 30 and Interpretation No. 4.
- Management's estimate of the collectability of receivables (excluding those receivables for which the City has the right to levy a lien against the applicable property owner). We evaluated the key factors and assumptions used to develop the allowances for uncollectable accounts in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the original cost and accumulated depreciation of infrastructure capital assets. We evaluated the key factors/assumptions used to develop the original cost and accumulated depreciation of the infrastructure capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the useful lives of depreciable capital assets – i.e., the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City of Battle Creek's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the City of Battle Creek, either individually or in the aggregate, indicate matters that could have a significant effect on the City of Battle Creek's financial reporting process, except for the proposed adjustment to the water and wastewater fund allowance for doubtful accounts that was recorded by the City.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Battle Creek's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing our audit.

This letter is intended for the use of the City Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script, reading "Lehmann Johnson".